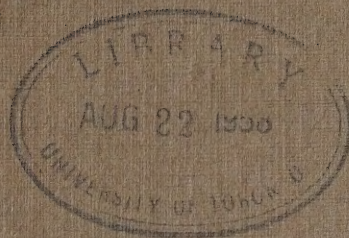


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J. ALLAN ROSS



HYDRO-ELECTRIC INQUIRY COMMISSION

REPORT

ON

THE ONTARIO POWER COMPANY OF NIAGARA FALLS

W. D. GREGORY, CHAIRMAN  
M. J. HANEY  
LLOYD HARRIS  
J. ALLAN ROSS  
R. A. ROSS

COMMISSIONERS

JOSEPH H. W. BOWER  
SECRETARY




















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THE ONTARIO POWER COMPANY OF NIAGARA FALLS

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THE ONTARIO POWER BOARD OF NIAGARA FALLS











To His Honour Henry McCreath,

Minister of the Treasury of Ontario,

Ontario House of Assembly,

One of the most important undertakings of the Hydro-Electric Survey conducted by the Ontario Power Commission is the "The Commission" to which inquiry has been directed in accordance of the instructions given to us by Your Honour, is that of The Ontario Power Company of Niagara Falls, referred to throughout this Report as "The Ontario Power Company" or

The Ontario Power Company of Niagara Falls.

Map Showing Location of  
Generating Station, Transformer Stations  
and Transmission Lines of

The Ontario Power Company of Niagara Falls

W. H. & Company.

By Special Act of the Parliament of Canada, enacted to an (June 22nd, 1907, The Canadian Power Company was incorporated and its capital was fixed at \$1,000,000. By the same Act the Ontario Power Company was authorized to acquire the assets of the Canadian Power Company and to issue bonds to the amount of \$1,000,000. By a subsequent Act enacted on July 15th, 1908, the name of the Ontario Power Company was changed to that of The Ontario Power Company and the authorized capital was increased to \$2,000,000. The authorized capital has since continued. The authorized capital was from time to time increased and at no time exceeded, and now consists of 100,000 shares of a total par value of \$10,000,000. The Act of 1908





1. The map shows the proposed location of generating stations and transmission lines for the U.S. Electric Power Commission. The map includes state boundaries, major cities, and a network of lines representing the power grid. A large 'COPY' watermark is visible across the center. A scale bar at the bottom right indicates distances in miles (0, 1, 2, 3).

U.S. Electric Power Commission  
 U.S. Department of Interior  
 Bureau of Reclamation  
 U.S. Geological Survey  
 U.S. Army Corps of Engineers  
 U.S. Navy Department  
 U.S. Coast and Geodetic Survey  
 U.S. Fish and Wildlife Service  
 U.S. Forest Service  
 U.S. Indian Affairs Commission  
 U.S. Land Office  
 U.S. Marine Corps  
 U.S. Military Academy  
 U.S. National Academy of Sciences  
 U.S. National Bureau of Standards  
 U.S. National Commission on the Causes and Prevention of Accidents  
 U.S. National Commission on the Organization of the Executive Branch of Government  
 U.S. National Commission on the Limits and Location of the Continental Shelf  
 U.S. National Commission on the Causes and Prevention of Accidents  
 U.S. National Commission on the Organization of the Executive Branch of Government  
 U.S. National Commission on the Limits and Location of the Continental Shelf



To His Honour Henry Cockshutt,

Lieutenant-Governor of the Province of Ontario.

May it Please Your Honour:-

One of the most important undertakings of the Hydro-Electric Power Commission of Ontario, (hereinafter referred to as "the Commission") to which inquiry has been directed in pursuance of the instructions given to us by Your Honour, is that of The Ontario Power Company of Niagara Falls, referred to throughout this Report as "The Ontario Power Company" or "the Company." After a full investigation of the business and affairs of this Company, we respectfully submit the following report thereon and transmit herewith reports in respect of the Company furnished to us by our Consulting Engineer, Mr. W. J. Francis, and our Accountants, Messrs. Price, Waterhouse & Company.

By Special Act of the Parliament of Canada, assented to on June 23rd, 1887, The Canadian Power Company was incorporated with an authorized capital of \$250,000 and power to increase the same in manner provided by "The Railway Act." By an amending Act assented to July 10th, 1899, the name of the company was changed to that of The Ontario Power Company of Niagara Falls, under which name its corporate existence has since continued. The authorized capital was from time to time increased until it reached a total of \$15,000,000, but the issued capital at no time exceeded, and now consists of 100,000 shares of a total par value of \$10,000,000. The Act of In-

To His Honour Henry Cockburn,

Lieutenant-Governor of the Province of Ontario.

May it please Your Honour:-

One of the most important undertakings of the Hydro-

Electric Power Commission of Ontario, in connection with the

as "the Commission" to which legally has been assigned the

performance of the undertaking given to me by Your Honour, is

that of the Ontario Power Company of Niagara Falls, referred

to throughout this Report as "the Ontario Power Company," or

"the Company." After a full investigation by the Commission

and others of the Company, the following facts have been ascertained:

1. The report thereon and the various details referred to in the

of the Company furnished to me by the Commission's Engineer,

Mr. W. J. Macdonald, and the various other documents, plans,

Waterhouse & Company.

By Special Act of the Parliament of Canada, enacted

on June 27th, 1887, the Ontario Power Company was incor-

porated with an authorized capital of \$2,000,000 and power

to increase the same in manner provided by the Statute in that

by an amending Act passed in July 1892, the name of

the company was changed to that of the Ontario Power Company

of Niagara Falls, which name the company has since borne and

also maintained. The authorized capital was from time to time

increased until it reached a total of \$15,000,000, but the

actual capital at the time averted, and now consists of \$10,000,000

which is a total of \$10,000,000. The Act of 18-



corporation gave the Company full power to construct, equip, maintain and operate a canal and hydraulic tunnel from some point on the Welland River, at or near its junction with the Niagara River, to a point or points on the west bank of the Niagara River about or south of the Whirlpool; and from a point or points in the Niagara River immediately south of the head of the rapids, near the Welland River, to a point about or south of Clark Hill, together with permanent works necessary for carrying out the Company's purposes. Other powers of a wide nature, including the right to build railways, were granted to the Company.

In 1900 the Company by agreement with the Queen Victoria Niagara Falls Park Commission, approved by Order-in-Council, acquired the right to conduct water in an open channel from the Welland River to a power house in the Park. The plant of the Company contemplated the conducting of the tail waters from the first development by subterranean channel to another power house in the gorge below the Falls, thus obtaining the advantage of a "double head." Under a subsequent agreement made in 1902 the terms of the 1900 agreement were amended, the right to construct an open hydraulic canal through the Park was abandoned and provision made for permitting the Company to conduct water from the Welland and Niagara Rivers by means of parallel lines of underground pipes or conduits (pipe lines). The 1902 agreement between the Company





and the Park Commission was approved by Order-in-Council of August 7th, 1902, subject to the proviso that the works, plans, profiles and elevations should be approved by the Lieutenant Governor-in-Council and by the Park Commissioners. A plan showing the proposed works of the Company, including three pipe lines each of 18 feet internal diameter, was submitted and approved in December, 1902. The amount of power which the Company is permitted to generate or the quantity of water it may utilize, is not provided for by the agreements, but it appears to have been assumed by the Park Commission and the Company that the Company was limited to sufficient water to develop, with efficient plant 180,000 horse-power of electrical energy and that it was thought at the time the plan was approved it would require the capacity of the three pipe lines shown on the plan to furnish sufficient water to develop that quantity of power.

The lease or license granted to the Company by the Park Commissioners was for a term of fifty years, expiring April 1st, 1950, renewable at the option of the Company, subject to readjustment of rentals, for three additional periods of twenty years each. The annual rental for the first period of fifty years was fixed at \$15,000, with additional annual payments as follows:

\$1.00 for each electrical horse-power generated and disposed of over 10,000 to 20,000.  
75 cents per horse-power for excess over 20,000 up to 30,000 horse-power.

and the Hydro-Electric Power Commission was approved by the Board of Directors of the Hydro-Electric Power Commission on the 12th day of December, 1902. The amount of power which the company is permitted to generate is limited by the quantity of water it may utilize, is not provided for by the agreement, but it appears to have been assumed by the Park Commission and the company that the company was limited in utilizing water to develop the falls, with electric power to be generated there. The plan is to develop the falls to develop the quantity of power.

The lease or license granted to the company by the Park Commission was for a term of five years, ending April 1st, 1910, renewable at the option of the company, and at a rental of \$10,000 per year. The annual rental for the first period of twenty years was fixed at \$10,000, with additional annual payments as follows:

\$1.00 for each electrical horse-power generated and disposed of over 10,000 to 20,000.  
 25 cents per horse-power for each unit of 10,000 to 20,000 horse-power.



50 cents per horse-power for all over 30,000 horse-power.

The works and plant of the Company were completed and put into service in 1905, and included a Hydro-electric generating plant comprising a Power house in the gorge below the Falls; headworks consisting of intake, forebay, screen house, inner forebay and gate house closely grouped together near Dufferin Islands above the Falls; one conduit or pipe line, turbines, generating units and other equipment. A second conduit of different design and material from the first was constructed in 1909 and 1910. A third pipe line, to which special reference is made further on in this Report, was constructed in 1918. In 1905 the Ontario Power Company secured the incorporation under the Dominion Companies' Act of the Ontario Transmission Company, Limited, and a license to do business in Ontario was duly issued to it. Upon the new company was conferred the right, amongst other things, to construct lines for the transmission of power. The authorized capital of this company is \$1,000,000 and all of its shares became the property of the Ontario Power Company and were pledged by that Company as security for bonds of the Power Company. The powers of the Ontario Power Company were wide enough to permit it to act as its own distributing agent, but probably in order to facilitate the financing of the cost of the transmission line by a separate bond issue it was deemed expedient to organize a subsidiary transmission company as a

50 cents per horse-power for all over 50,000 horse-power.

The work was done at the time of the construction of the power lines and the late service in 1908, and included a hydro-electric generating plant containing a turbine motor in the power house and the tail race containing a turbine, generator, condenser, and other machinery and also some electric storage batteries near the tail race above the Falls; one conduit or pipe line, terminal, generating plant and other equipment. A second conduit or different kind of material from the first was constructed in 1909 and 1910. A third pipe line, to which special reference is made further on in this Report, was constructed in 1911. In 1912 the Ontario Power Commission, under the incorporation under the Dominion Companies' Act of the Ontario Transmission Company, Limited, was organized to do business in Ontario was duly issued to it. Upon the new company was conferred the right, subject to certain conditions, to construct lines for the transmission of power. The authorized capital of this company is \$1,000,000 and all of its shares became the property of the Ontario Power Company and were placed in that company as security for bonds on the power lines. The power of the Ontario Power Company were wide enough to permit it to act as its own distributing agent, but previously in order to facilitate the transmission of the power the transmission lines by a separate body it was deemed expedient to organize a subsidiary transmission company as a



distinct entity. By agreement dated April 20th, 1910, the Transmission Company leased to the Power Company all its undertakings and properties from May 1st, 1910, to April 1st, 1950, and the Power Company guaranteed payment of both the principal and interest of the bonds of the Transmission Company, an issue of which to the amount of \$2,000,000 had been made and sold to the public. By this agreement the Transmission Company gave to the Power Company an option to acquire and purchase the demised premises at any time after the bonds of the Transmission Company had been paid without further consideration than that provided for in the agreement. On June 11th, 1910, the Ontario Transmission Company agreed to make sinking fund payments of \$30,000.00 per annum and the Ontario Power Company undertook to pay the same if the Transmission Company failed to meet them, or any of them, when payable.

Other companies controlled by or closely associated with the Ontario Power Company were Ontario Distributing Company, Limited; the Falls Power Company, Limited, which distributed power of the Ontario Power Company in the Townships of Bertie, Willoughby, Peidham, Thorold, Humberstone, Growland, Wainfleet and Grantham, in Lincoln and Welland Counties, and the Niagara, Lockport and Ontario Power Company. The latter company distributed throughout part of New York State and as far east as Syracuse, electrical





energy supplied to it by the Ontario Power Company under contracts, to which reference is made later.

The map prepared by Mr. Francis, prefacing this Report, shows the location of the generating station, transformer stations and transmission lines of the Ontario Power Company.

Under licenses granted to the Ontario Power Company it was allowed to export 60,000 horse-power, or 45,000 kilowatts. Under an agreement dated July 16, 1904, amended by supplementary agreements dated December 30, 1904, October 31, 1905, and December 30, 1913, an amount of power which equalled the total amount of power allowed to be exported by the Ontario Power Company was sold to the Niagara, Lockport & Ontario Power Company. This amount was reduced by subsequent agreement with the Lockport Company to 50,000 horse-power.

Under agreements dated respectively September 5, 1914, October 13, 1915, and March 17, 1916, the Ontario Power Company purchased from the Toronto Power Company, Limited, increasing quantities of power in order to meet the demands upon it under its contracts to supply power.

In 1916 the Ontario Power Company notified the Park Commissioners that it intended to proceed with the construction of a third pipe line. Consent to such construction was refused by the Park Commissioners and thereupon negotiations were opened for the sale of the Company's undertaking to the Commission.

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confronted, to which reference is made later.

The map prepared by Mr. Wroble, pretending this

Approved by the Board of Directors

There is no other information in the file.

• **2008** •

Large amounts of the above are available.

It was also very important to export 55,000 boxes of apples to the Soviet Union.

Index to Management Science, 1991, 21, 1135-1140

DOI: 10.1002/jbm.b.10067

1. The following information was obtained from the records of the FBI, New York Office, dated 10/10/68:

Approved and forwarded to the Director for his signature.

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technology. This amount was related to different investment with

the Roosevelt Company to \$0,000 Noted - No work.

Under agreements dated respectively September 5,

1914, October 22, 1915, May 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 25

Special Agent in Charge, Federal Bureau of Investigation, Washington, D.C.

Lincoln

upon it under its contract to supply power.

En 1818 the British Government called the Bank

CONFIDENTIAL - SECURITY INFORMATION

[illegible]

by the 1990s, when the first generation of the 1960s cohort was in its 50s and 60s.

Model for the sale of the Company's securities to the public.



RELATION OF THE COMMISSION TO THE COMPANY.

Instead of proceeding with the construction of a power plant at Niagara Falls under the authority of the provision of the Power Commission Act, 1907, and as had been recommended in the report of the Commissioners appointed prior to the enactment of the Act of 1906, the Commission by an agreement dated August 12, 1907, and an Ancillary Agreement dated March 19, 1908, contracted with the Ontario Power Company for a supply of power for municipal corporations on the Niagara System and other customers of the Commission. The Company agreed to deliver to the Commission at the expiration of ninety days' notice, 8,000 of more horse-power; at the expiration of three months' notice to be given from time to time during the continuance of the agreement, additional electric power in blocks of not less than 1,000 horse-power each until the total delivered should reach 30,000, and at the expiration of nine months' notice to be given from time to time during the continuance of the agreement, additional power in blocks of not less than 1,000 horse-power each until the total so delivered should amount to 100,000 horse-power.

The Commission agreed to take power exclusively from the Company up to 30,000 horse-power and in addition thereto one-half of the amount required by the Commission up to 100,000 horse-power, and thereafter at the option of the Commission from other sources, and to pay:

For power at 12,000 volts at the rate of \$9.40 per horse-power per annum.

For power at 60,000 volts at the rate of \$10.40 per horse-power per annum.

DETAILS OF THE INVESTIGATION

Instead of proceeding with the construction of a power plant at Niagara Falls under the authority of the Hydro-Electric Power Commission Act, 1907, and as was recommended in the report of the Government-appointed Joint Committee on the Niagara River, the Commission by an agreement dated August 12, 1907, and an amending agreement dated March 12, 1908, entered into an arrangement with the Ontario Power Company for a supply of power for municipal corporations in the Niagara Region and other purposes in the Commission. The Company agreed to deliver to the Commission at the expiration of thirty days' notice, 1,000 horse-power, and at the expiration of three months' notice to be given from time to time during the continuance of the agreement, additional electric power in blocks of not less than 1,000 horse-power each until the total amount delivered would equal 100,000 horse-power.

The Commission agreed to take power exclusively from the Company as to 10,000 horse-power and in addition to one-half of the amount required by the Commission up to 101,000 horse-power, and thereafter at the option of the Commission from other sources, and to pay:

For power at 12,000 volts at the rate of \$9.40 per horse-power per annum.  
For power at 25,000 volts at the rate of \$10.00 per horse-power per annum.



When the amount reserved and held ready upon the order of the Commission is in all 25,000 horse-power or more, payment to be made at the following rates:

For power at 12,000 volts at \$9.00 per horse-power per annum.

For power at 60,000 volts at \$10.00 per horse-power per annum.

For power taken at a higher voltage than 60,000 the rate to be relatively increased without increased profit.

The agreement with the Commission to supply power at these rates was to remain in force for ten years from the date of the expiration of the ninety days, which date, by subsequent agreement dated November 10, 1908, was fixed as March 19, 1910. The Commission was given the option to continue the agreement for one, two or three **COPY** further consecutive terms of ten years each by giving notice of its intention to continue for the second, third and fourth terms at least three years before the expiration of the prior term, so that at the option of the Commission the agreement might be continued to April 1st, 1950, the date at which the first term of years under the agreement dated April 11, 1900, between the Ontario Power Company and the Park Commissioners would expire. The Company also covenanted not to exercise the right to cancel the agreement of April, 1900, between it and the Park Commissioners. Under date of February 26, 1913, another agreement was entered into between the Commission and the Company for the delivery to the municipalities of Welland and Port Robinson of 300 electric horse-power (or greater requirements of the Commission) at the

When the amount of power required is in excess of 25,000 horse-power or more, payment to be made at the following rates:

For power at 12,000 volts at \$9.00 per horse-power.  
For power at 15,000 volts at \$10.00 per horse-power.  
For power at 20,000 volts at \$12.00 per horse-power.  
For power at 25,000 volts at \$15.00 per horse-power.  
The rate to be relatively increased without increased profit.

The agreement with the Commission to supply power at these rates was to remain in force for ten years from the date of the expiration of the ninety days, which date, by agreement dated November 12, 1900, was fixed as March 14, 1910. The Commission was given the option to terminate the agreement for one, two or three years, commencing on the first day of March, 1901, by giving notice of its intention to terminate the same, which notice was to be given at least three years before the expiration of the prior term, so that at the option of the Commission the agreement might be extended to April 1st, 1902, the last day of which the first term of power under the agreement dated April 11, 1900, between the Ontario Power Company and the New Commissioners would expire. The Company also reserved not to exercise the right to cancel the agreement of April, 1900, between it and the New Commissioners. Under date of February 12, 1910, another agreement was entered into between the Commission and the Company for the delivery to the municipalities of Niagara and Fort Hamilton of 500 electric horse-power for greater requirements of the Commission at the



price of \$14.00 per horse-power per annum, the term of the agreement to be for a period co-extensive with the unexpired term of the agreement of March 19, 1908, the horse-power supplied to be counted part of the 100,000 horse-power to be supplied under the existing agreement between the Commission and the Ontario Power Company.

The demands on the Commission for power had so increased that on March 25th, 1916, the amount of power ordered to be held in reserve for the Commission reached the total of the 100,000 horse-power available under the contract.

The Power Company had in 1916, as before mentioned, been refused permission to construct a third pipe line through the Park. An increased power production was required by the Company in order to meet demands upon it and, as already mentioned, it thereupon decided to sell its undertaking and the Commission was approached as a purchaser. As stated at Washington by Sir Adam Beck to the Committee on Water Power of the House of Representatives, on April 15, 1918: "Negotiations were entered into and the Hydro-Electric Power Commission acquired the plant and took possession after about a year's negotiations."

There is no record in the Minutes of Meetings of the Commission of any discussion or decision of the Commission in regard to these negotiations during their progress and it would appear that they were conducted by Sir Adam Beck on his own responsibility to a point where formal ratification and

price of \$14.00 per horse-power per annum, the term of the agreement to be for a period co-terminus with the amortization term of the investment of March 10, 1908, the horse-power supplied to be counted out of the 100,000 horse-power to be applied under the existing agreement between the Commission and the Ontario Power Company.

The details of the Commission for power had as its object that on March 10, 1911, the amount of power applied to be held in reserve for the Commission should be 100,000 horse-power available under the contract.

The power company had in 1911, as before mentioned, been refused permission to exercise a right of first refusal in the purchase of power. The Commission was already

Company in order to meet demands upon it and, as already mentioned, it was not possible to sell the waterpower and the

Commission was approached as a purchaser. As stated in the Commission by its own report to the Commission on March 10, 1911, at the House of Representatives, on April 11, 1911, "The Commission was approached by the Ontario Power Company and the Hydro-Electric Power Commission after receiving the report of the Commission dated March 10, 1911."

year's negotiations." There is no record in the Minutes of Meetings of the Commission of any discussion or action of the Commission in regard to these negotiations during their progress and it would appear that they were conducted by the Commission and the Commission's responsibility to a point where formal negotiations and



completion of the agreement arrived at, alone remained.

The acquisition of control of the Ontario Power Company was not specifically approved by the municipalities on the Niagara System, but the following question was submitted to them in January, 1917, and answered in the affirmative by a majority of the electors in each of them:

"Are you in favor of having the municipality develop or acquire through the Hydro-Electric Power Commission of Ontario, whatever works may be required for the supply of electric energy or power in addition to such electric power as is already obtained under the existing contract with the Hydro-Electric Power Commission of Ontario?"

In this connection the following extract from the evidence given at the hearing before us on January 9th, last, is pertinent:

Q. Were the municipalities for which you acted as trustees, consulted as to whether or not you should buy the Ontario Power Company?

A. MR. GABY: There was a plebiscite for acquiring the development in the Niagara District in 1917.

SIR ADAM BECK: They voted on it.

MR. GABY: They voted on a plebiscite for acquiring generating plants at Niagara Falls.

Q. But was there any specific submission to the municipalities for the purchase of the Ontario Power Company?

A. I should say Yes, because Sir Adam Beck discussed the matter at those various meetings with them on it.

(10)

conclusions as the argument advanced is shown to be untenable.

The acquisition of control of the Ontario Power

Company was not specifically approved by the municipalities as the Niagara system, but the following question was submitted to them in January, 1917, and answered in the affirmative:

a majority of the electors in each of them:

"Are you in favor of having the municipality

develop or acquire through the Hydro-Electric

Power Commission of Ontario, whatever works may

be required for the supply of electric energy

or power in addition to such electric power as

is already obtained under the existing contract

with the Hydro-Electric Power Commission of

Ontario?"

In this connection the following extract from the

evidence given at the hearing before the Committee on January 2nd, 1917,

is pertinent:

Q. Were the municipalities for which you acted  
as trustees, consulted as to whether or not you  
should buy the Ontario Power Company?

A. MR. GABY: There was a plebiscite for  
ascertaining the sentiment in the Niagara District  
in 1917.

SIR ADAM BECK: They voted on it.

MR. GABY: They voted as a plebiscite for purchasing  
the Ontario Power Company.

Q. But was there any specific recommendation as to  
municipalities in the province as to whether to  
purchase?

A. I should say Yes, because Sir Adam Beck dis-  
cussed the matter at those various meetings with  
them on it.



Q. But was it submitted in a formal way to them?

SIR ADAM BECK: I don't remember the details of what took place at that time.

Q. And when you say 'plebiscite' would that be a vote of the ratepayers in each municipality?

MR. GABY: Yes.

Q. That was done as to the development of power at Niagara Falls?

A. Some seventy municipalities voted.

Q. Hadn't that....reference to the Chippawa Development?

SIR ADAM BECK: No, the general policy of generating or acquiring generating plants.

Q. Was this plebiscite, or the question that was voted on, exactly the same to each of the seventy municipalities?

MR. GABY: Seventy-four, yes.

COMMISSIONER HARRIS: What date was that?

A. January, 1917.

THE CHAIRMAN: That would be at the municipal elections in January, 1917?

A. Yes.

SIR ADAM BECK: The municipalities were called together and those matters were generally discussed with them, and they passed resolutions, and so on, but I know it was thought that because of the amounts involved that it would be well to have an expression of public opinion.

If, (as is stated by Mr. G. T. Clarkson, and we think rightly) the Ontario Power Company should be considered "Works" of the Commission, and accepting the statements of Sir Adam Beck and Mr. Gaby, there appears to be no doubt but that

Q. But was it submitted in a formal way to them?  
 MR. ALAN BUCK: I don't remember the details of what  
 took place at that time.

Q. And when you say 'pledged', would that be a  
 vote of the ratepayers in each municipality?

MR. BUCK: Yes.

Q. There was some as to the development of the  
 of the city?

A. Some recently municipalities voted.

Q. That's right... reference to the...  
 Development?

MR. ALAN BUCK: No, the general policy of...  
 or accepting... plan.

Q. Was this... of the question that was  
 voted on, exactly the same as the...  
 municipalities?

MR. BUCK: Yes, I think so.

Q. That's right... the same...

A. January, 1917.

MR. CHAIRMAN: That would be at the municipal  
 elections in January, 1917?

A. Yes.

MR. ALAN BUCK: The municipalities were...  
 separate and these matters were generally...  
 with them, and they passed resolutions, and...  
 but I know it was thought that because of the...  
 involved that it would be well to have an...  
 of public opinion.

It (as is stated by Mr. G. T. Glendon, and we

... (right) the... be...  
 ... of the... and...  
 ... and Mr. B... there... that



the municipalities in which the vote was taken in January, 1917, expressed approval of the Commission developing any works or acquiring all or any of the generating plants (including that of the Ontario Power Company) at Niagara Falls that "may be required for the supply of electric energy or power." The Ontario Power Company being "works", the expenditure upon it, having been undertaken for the benefit of the municipalities which have entered into contracts with the Commission, is repayable to the Commission by such municipalities under Section 22 of the Power Commission Act, which is as follows:

"The expenditure of the Commission upon any works undertaken under the provisions of this Act for the benefit of any municipality or municipalities which have entered into contracts with the Commission shall be repayable to the Commission by such municipality or municipalities."

By an amendment to the Power Commission Act made in 1917, the Lieutenant-Governor in Council may authorize the Commission to acquire and hold shares of an incorporated development company, a power the Commission did not previously possess. Under authority from the Lieutenant-Governor-in-Council and in pursuance of agreements executed by all necessary and proper parties, including the Province, which agreements were ratified and confirmed by an Act by the Legislature in 1918, the Commission acquired all the issued shares of the capital stock of the Company to the par value of \$10,000,000, and along with the Province guaranteed payment of the principal and interest





of the bonded indebtedness of the Company and that of its subsidiary, the Ontario Transmission Company, Limited.

The purchase price of the shares, all of which were at the time of execution of the agreement, or subsequently, acquired, was payable and paid in debentures of the Commission, guaranteed by the Province, of the par value of \$8,000,000. These debentures bear interest at the rate of 4% per annum, payable half-yearly, mature in forty years from their date, and are payable as to principal and interest in Toronto, New York or Ontario at the option of the holder. Owing to the low rate of interest which they bore the market value of these debentures was considerably below par. Their cash value at the date of delivery to the vendors was approximately \$5,500,000. The \$10,000,000 stock thus purchased presumably represented little or no cash investment, but was watered stock acquired by the promoters of the Company.

By this purchase the Commission became the virtual owner of all the rights, assets and properties of the Ontario Power Company, subject to the liabilities of the Company then outstanding, including bonds of the two Companies, and subject also to its liabilities in respect of existing contracts for the sale of power.

On August 1st, 1917, the Commission assumed control of the Company, maintaining its corporate existence and that of the Ontario Transmission Company, Limited, and then began,

(12)

of the bonded indebtedness of the Company and that of its

subsidiaries, the Ontario Power Generation Company, Limited.

The purchase price of the shares, all of which

were at the time of acquisition in the hands of the Company,

amounted, the principal and interest on the bonds

being guaranteed by the Province, at the rate of

\$1,000,000. These securities were issued at the rate of

per annum, payable semi-annually, interest is to be paid

thereon, and are payable as to principal and interest in

Toronto, New York or Ontario at the option of the holder.

Being at the rate of interest then paid, the amount

value of these securities was considerably below the

face value at the time of delivery in the various

approximately \$8,500,000. The \$10,000,000 stock thus purchased

practically represented little or no cash investment, and was

watered stock acquired by the promoters of the Company.

By this purchase the Company became the

owner of all the rights, assets and properties of the Ontario

Power Company, subject to the liabilities of the Company then

outstanding, including bonds of the two Companies, and subject

also to its liabilities in respect of existing contracts for

the sale of power.

On August 1st, 1917, the Commission received

of the Company, which stated the separate existence and that

of the Ontario Transmission Company, Limited, and that



and has since continued, to administer the business and affairs of the two Companies either directly or through Boards of Directors composed of members of the Commission and officers or employees of the Commission.

At the time that the purchase was made the tangible assets of the Ontario Power Company approximately equalled its liabilities other than to the stockholders. The Commission at this time had a contract with the Company for the delivery by the Company to it of 100,000 h.p. at a price of \$9.00 per horse-power, for a period, which at the option of the Commission, would not expire until 1950. This contract was of great value to the Commission and it is not unnatural to inquire why the Commission was not content to continue to get its power in this way, but instead of doing so it bought the Company, assumed its liabilities and in addition gave 4 per cent. bonds to the extent of \$8,000,000, guaranteed by the Province of Ontario, in payment for its stock.

Various answers have been given to this inquiry.

On December 20th, 1922, Mr. Gaby, in testifying before us, gave as reasons for the purchase -

(1) The necessity for additional power in the Niagara District, it being thought that more continuous operation would result if the Commission controlled the Company.

(2) The expediency of acquiring certain rights claimed to be held by the Company covering the diversion of water on

and has since continued, to administer the business and  
affairs of the company since its formation by the  
of officers composed of members of the Commission and others  
or employees of the Commission.

At the time that the purchase was made the tangible  
assets of the Ontario Power Company were approximately equal to  
the liabilities other than to the stockholders. The Commission  
at this time had a contract with the company for the delivery  
of the company to it at 100,000 h.p. at a value of \$2.00 per  
horse-power, for a period, which at the option of the Com-  
mission, would not expire until 1920. This contract was of great  
value to the Commission and it is not considered to be a  
the Commission was not content to continue to let the power  
in this way, but instead of doing so it bought the company.  
The Commission has in addition paid a sum of  
\$250,000 to the amount of \$2,000,000, represented by the purchase  
of Ontario, in payment for its stock.

Various answers have been given to this inquiry.  
On January 10th, 1914, Mr. Gault, in testimony

before us, gave as reasons for the purchase -

(1) The necessity for additional power to the Niagara  
District, it being thought that more power was required  
would result in the Commission controlling the company.

(2) The expediency of acquiring certain rights claimed  
to be held by the company covering the diversion of water on



the Welland River, it being thought that these rights might interfere with the Queenston-Chippawa project.

Sir Adam Beck on April 15th, 1918, stated to the Committee on Water Power of the House of Representatives, in Washington, that:

"When we bought the Ontario Power Company one of the objects in buying it was that we could scrap the plant in ten, fifteen or twenty years when water becomes still more valuable because of its scarcity, or because of curtailment in the use of it, and use the water more efficiently in connection with the new scheme that we have in hand.

"We can take the ten or twelve thousand cubic feet per second now being used comparatively inefficiently... and use it in connection with our Queenston-Chippawa scheme, thus securing the advantage of the full head available between the two lakes."

Apparently the main reason which led the Commission to acquire control of the Ontario Power Company was the considered necessity of acquiring all the rights of the Company in order that the Queenston-Chippawa Development upon which work had been commenced in May, 1917, under the provisions of The Ontario Niagara Development Acts, might be carried out with greater assurance of being able to obtain the water necessary for full operating efficiency.

Under the International Boundary Waters Treaty entered into in 1910 between Great Britain and the United States, Canada is entitled to divert 36,000 cubic feet per second of the waters of the Niagara River. In

The Niagara River, it being known that there is a right  
interfere with the Greenstein-Chippewa project.

The plan was to build a dam, 100 ft. high, across the river

between the Greenstein-Chippewa project and the Niagara River, in

Washington, D.C.

"When we look at the Greenstein-Chippewa project  
of the subject in view it was that we could  
take the plan in view, there is a right to  
when water is used, it will be a right to  
of its necessity, or because of our right in  
the use of it, and the water was not  
in connection with the plan, and we are in  
"We can take the ten or twelve thousand cubic  
feet per second and water was not  
theoretically... and now it is necessary  
for Greenstein-Chippewa project, the  
the plan, and it is not available to  
them for the plan."

Apparently the main reason which led the Commission

to advise against the Greenstein-Chippewa project was the  
considered necessary of securing all the rights of the  
Company in order that the Greenstein-Chippewa project  
open which were not then owned in 1917, and the  
provisions of the Greenstein-Chippewa project, and  
be carried out with greater assurance of being able to  
obtain the water necessary for the project.  
Under the International Boundary Waters Treaty  
entered into in 1911 between Great Britain and the United  
States, Canada is entitled to divert 25,000 cubic feet per  
second of the waters of the Niagara River. In



a report made in November, 1920, by Brigadier General H. Taylor to the United States Secretary of War, the following figures are given of the number of cubic feet per second that were being taken from the Niagara River on the Canadian side of Niagara Falls in 1917:

Ontario Power Company	11,200
Electrical Development Co.	12,400
Canadian Niagara Power Co.	9,600
International Railway Co.	<u>125</u>

T o t a l      35,325

The construction of the third pipe line of the Ontario Power Company, to which reference has already been made, is said to have increased the water diversion by that Company in 1920 to 13,300 cubic feet per second and to have brought the total diversion to the Canadian side up to 35,425 cubic feet per second.

At the date of acquisition of the shares of the Company, the books of account as adjusted by the Commission showed an excess of assets over liabilities of \$10,000,000, which sum represented the par value of the issued capital stock of the Company. For all the shares of this issued stock the Commission, as already stated, paid \$8,000,000 of its debentures, guaranteed by the Province. The existing bonded and other indebtedness of the Company at the time amounted to \$15,566,100.60, all of which was assumed by the purchasers. This sum with the \$8,000,000 in debentures made up \$23,566,100.60 which is the total amount that will

a report made in November, 1920, by Brigadier General H. Taylor to the United States Secretary of War, the following figures are given of the number of cubic feet per second that were taken from the Niagara River in the summer side of Niagara Falls in 1917:

Ontario Power Corp.	11,200
Niagara Development Co.	12,400
Niagara Power Co.	2,600
International Niagara	1,100
<b>Total</b>	<b>27,300</b>

The construction of the large type line of the Ontario Power Corp., to which attention was already made, is said to have increased the water diversion by that Company in 1917 to 12,400 cubic feet per second and to have brought the total diversion to the Canadian side up to 27,300 cubic feet per second.

At the date of acquisition of the shares of the Company, the books of account as audited by the Committee showed an excess of assets over liabilities of \$10,000,000, which was represented by the value of the issued capital stock of the Company. For all the shares of this issued stock the Committee, as already stated, paid \$1,000,000 of its debentures, guaranteed by the Province. The existing bonded and other indebtedness of the Company at the time amounted to \$12,000,000, and it was estimated by the purchasers. This sum with the \$8,000,000 in debentures paid of \$20,000,000 which is the total amount paid will



ultimately be paid. The assets thus acquired had a total book value of \$26,446,933.95 and a tangible value of about \$16,000,000.

In the period of five years and three months from August 1st, 1917, (on which date the Commission acquired the Ontario Power Company) to October 31st, 1922, the book value of assets had increased \$3,619,455.36 and the liabilities, including reserves, \$3,560,258.33, leaving a net gain in the period of \$59,197.03, assuming that there was no depreciation, in the value of the assets beyond the provision made therefor.

**COPY**  
No valuation appears to have been made by the Commission of plant and equipment. The agreement of purchase provided for the delivery of all books, etc., of the Company to the Commission. For some reason, not disclosed, the Company's original books of entry were never delivered to the Commission and it is impossible from the books in the possession of the Commission to ascertain accurately the value of the several classes of assets included in plant and equipment accounts, and what proportions of the total are attributable to tangible and intangible respectively. Mr. Clarkson in his report on the accounts of the Commission to October 31st, 1918, comments upon the absence of necessary books, and referring to the plant and equipment accounts of the Company on that date, states:

... in the period of five years and three months from August 1st, 1914, (on which date the Commission acquired the ... value of \$2,187.50, assuming that there was no depreciation, in the value of the assets before the liquidation of the ... to the Commission to have been made of the ...

COPY

... mission of plant and equipment. The agreement of purchase provided for the delivery of all assets, ... to the Commission. For some reason, not disclosed, the ... Commission and it is impossible that the assets in the ... of the Commission to ascertain accurately the value of the ... several classes of assets included in their ... accounts, and that ... tangible and intangible respectively. Mr. ... report on the accounts of the Commission to October 1st, 1915, ... the plant and equipment ...

states:



"From such information as is available, however, they would appear to consist approximately as follows:

(a) Investment in plant, real estate, transmission lines, distributing stations	\$14,747,599.49
(b) Discount on bonds capitalized, less amounts written off	971,284.55
(c) Attributed to value of rights, franchises, goodwill, etc.	10,304,113.07
(d) Expended upon construction of third pipe line to works of Company (in progress)	<u>1,349,170.63</u>
	<u>\$27,372,167.74."</u>

The following brief summary of the operating account for the fiscal year ending October 31st, 1922, is submitted as an illustration of the balancing of expenses and revenues since the Company was placed on a similar basis as "works" of the Commission supplying power to municipalities at cost:

#### Expenses

Operating and administrative expenses.	\$1,403,010.48
Provision for renewals . . . . .	116,491.96
Bond interest . . . . .	746,907.66
Portion of discount on bonds amortized	46,244.04
Portion of American exchange amortized	17,907.84
Interest on cash advances re Third Pipe Line . . . . .	196,743.86
Other interest . . . . .	42,279.90
Provision for sinking funds . . . . .	125,264.36
Provision for interest on \$8,000,000 bonds of the Commission . . . . .	<u>528,076.42</u>
Total Expenses.	<u>\$3,092,926.52</u>

"When such information as is available, however, they would appear to consist approximately as follows:

- (a) Investment in plant, real estate, franchises, etc., including stations \$14,747,899.48
  - (b) Discount on bonds capitalized, less amounts written off 871,284.25
  - (c) Advances to other companies, etc. 10,000,000.00
  - (d) Expended upon construction of third pipe line to works of Company (in progress) 1,348,100.00
- 227,747,899.48

The following table shows the assets of the company at the close of the fiscal year ending October 31st, 1932, as submitted by the company and as verified by the auditor of the company and the auditor of the company.

Assets

\$1,477,899.48	Operating and administrative expenses
112,747.48	Provision for depreciation
748,907.88	Bond interest
44,248.48	Interest on cash advances to Third Pipe Line
17,907.88	Portion of American exchange amortized
128,748.88	Interest on cash advances to Third Pipe Line
42,247.88	Other interest
128,748.88	Provision for sinking fund
128,748.88	Provision for interest on \$5,000,000 bonds of the Corporation
227,747,899.48	Total Assets



which were met by the following revenues:

From sundry customers . . . . .	\$1,357,119.80
From St. Catharines and other municipal- ities in that district . . . . .	78,290.21
Thorold System. . . . .	20,905.67
Miscellaneous revenue, including profit on bonds redeemed . . . . .	16,799.35
Revenue from Niagara System representing the difference between revenue received from other sources and total expenses as above . . . . .	<u>1,619,811.49</u>

Total Revenue..... \$3,092,926.52

From the above it will be noted that the Company is being operated on a cost basis and that the Niagara System is bearing all expenses of such operation except those met by revenue arising from other sources.

The following table shows the revenue from power sales separated as between undertakings of the Commission and outside interests for the various periods of operation between August 1st, 1917, and October 31st, 1922. The figures shown in this statement and the ones following, relating to operating expenses, are subject to adjustment in respect of the revision in the renewal reserve made by the Commission subsequent to the close of the fiscal year ending October 31st, 1922:

Table of Annual Revenues

Particulars	Year ending October 31st				
	15 months ending Oct. 31/18	1919	1920	1921	1922
Niagara System	\$1,022,611	\$ 893,814	\$1,112,818	\$1,621,420	\$1,807,730
Sundry Hydro undertakings	93,315	64,091	69,749	90,934	99,196
Outside in- terests	1,636,154	1,240,516	1,318,055	1,295,450	1,357,120
Total Revenue	\$2,752,080	\$2,198,421	\$2,500,622	\$3,007,804	\$3,264,046

which were met by the following revenues:

From sundry customers . . . . .	\$1,357,119.30
From St. Lawrence and other municipalities . . . . .	12,245.41
From the sale of water . . . . .	25,702.47
From the sale of electricity . . . . .	16,799.35
From the sale of gas . . . . .	1,612,111.15
Total Revenue . . . . .	\$3,052,926.58

From the above it will be noted that the Company

is being operated on a cash basis and that the Niagara System is bearing all expenses of such operation except those met by revenue arising from other sources.

The following table shows the revenue from power

sales reported as between subsidiaries of the Commission and outside interests for the various periods of operation between August 1st, 1917, and October 1st, 1921. The figures shown in this statement and the ones following, relating to operating expenses, are subject to adjustment in reports of the various in the annual reports made by the Commission subsequent to the close of the fiscal year ending October 1st, 1922.

Table of Annual Revenues

Particulars	Year ending October 1st			
	1917	1918	1919	1920
Electricity	\$1,140,816	\$1,140,816	\$1,140,816	\$1,140,816
Gas	22,818	22,818	22,818	22,818
Water	25,702	25,702	25,702	25,702
Sundry Hydro	1,357,119	1,357,119	1,357,119	1,357,119
Total Revenue	\$3,052,926	\$3,052,926	\$3,052,926	\$3,052,926



The revenue per horsepower from the various classes of customers and the various revenues for each classification of horse-power is as follows:

Revenue per Horse-Power

	Fiscal Year ending October 31st				
	1918	1919	1920	1921	1922
Power sold to H.E.P.C.	\$ 9.15	\$ 9.36	\$9.72	\$11.55	\$17.55
Power sold to private companies	12.82	12.25	13.97	14.33	12.57
Power sold for export	12.70	12.60	12.97	12.76	12.84
Average	11.00	10.88	11.35	12.30	15.17

The following is a comparison of the average revenue per horse-power billed with the total cost per horse-power billed for each of the above years:

Average Revenue per horse-power billed	\$11.00	\$10.88	\$11.35	\$12.30	\$15.17
Average cost per horse-power billed	\$10.99	\$ 10.21	\$11.58	\$12.48	\$15.10

The sale of power for export to the United States to the Niagara, Lockport & Ontario Power Company was, up to 1921, inclusive, a profitable undertaking, but in the year 1922 the cost of power supplied for export by the Ontario Power Company was greater than the contract price obtained for it. In that year the loss on power exported was approximately \$60,000. The Niagara Hydro System had not only to pay the Commission a substantially higher price for power than

The revenue for horsepower from the various classes of equipment and the various revenues for each classification of horse-power is as follows:

Revenue per Horse-Power

Fiscal Year ending October 31st				
1918	1919	1920	1921	1922
Power sold to private companies	\$ 7.12	\$ 7.12	\$ 7.12	\$ 7.12
Power sold to public companies	12.25	12.25	12.25	12.25
Average	11.08	10.22	12.25	12.25

The following is a comparison of the average revenue per horse-power billed with the total cost per horse-power billed for each of the above years:

Average Revenue per Horse-Power Billed		Average Cost per Horse-Power Billed	
1918	\$11.08	1918	\$10.22
1919	\$10.22	1919	\$12.25
1920	\$12.25	1920	\$12.25
1921	\$12.25	1921	\$12.25
1922	\$12.25	1922	\$12.25

The sale of power for each of the United States is the highest, except in the State of New York, in the year 1922, inclusive, a small amount was sold in the year 1921 and the rest of power supplied to the United States Power Company was greater than the country's power demand. It is not true that the loss of power supplied was approximately \$2,000. The United States Power Company has not been able to maintain a satisfactory record since the year 1920.



that paid to the Commission by the Niagara, Lockport & Ontario Power Company but it had to make up as well the deficit of \$80,000 on power exported. If cost of production continues to exceed the price received for power exported the loss will reach high figures, as the contract with the Niagara, Lockport & Ontario Company will not expire until 1950.

No surplus can be built up under the method of accounting that is followed. Any deficits must be made up by the municipalities in their "thirteenth bills." As will be seen from the above summary the Company is not treated strictly as a distinct entity by the Commission in respect of the capital stock. Dividends out of profit are not now being paid by the Company and applied as a return on the investment of \$8,000,000, but the carrying charges on the original investment and funds advanced subsequent to the purchase form part of the operating expenses. For the fiscal years ending October 31st, 1921, and October 31st, 1922, Mr. Clarkson has treated the Company as "works" of the Commission and provision has been made for sinking funds on the purchase price. Mr. Clarkson has expressed the opinion in regard to the Company that the Commission must have purchased it in trust "for somebody" and that it would naturally follow that that "somebody" was the Niagara System, and, therefore, the Niagara System would probably be the owner eventually of the undertaking when it is paid for. If a deficit was made in

(121)

[illegible]



the operation of the Company, says Mr. Clarkson, nobody was liable unless there was a distinct chain indicating for a certainty that the Niagara System was the owner of the Company through the Commission.

In the agreement between the Commission and the municipalities in the Niagara System, made in 1908, the Commission agreed to sell to the municipalities the power taken by it from the Ontario Power Company at a maximum price, which corresponded to the price paid by the Commission to the Company. In 1917, however, the Legislature passed The Ontario Niagara Development Act which provided that, notwithstanding the agreement, the municipalities instead of paying the maximum price at Niagara Falls, fixed by the agreement, should pay to the Commission "the average cost per horsepower to the Commission for power developed by the Commission or procured under contract with any corporation or individual developing power at Niagara Falls, to be annually adjusted and apportioned by the Commission." This, in effect, abrogated the original agreement and enabled the Commission to increase the price charged to the municipalities. Instead therefore of charging the maximum price per horsepower at Niagara Falls, which was fixed by the 1908 agreement at approximately \$9.00 per horsepower, the Commission charges the present cost, which in 1922 amounted to \$17.55 per horsepower, subject to the reduction hereinafter referred to, which resulted from using a large portion of the 1922 reserve for renewals to reduce 1922 power costs.

The operation of the Company, says Mr. Williams, largely was  
liable unless there was a definite order indicating that a  
certainly that the Williams system was the owner of the Company  
through the Commission.

In the agreement between the Commission and the  
municipalities in the Williams system, made in 1913, the  
Commission agreed to sell to the municipalities the power  
taken by it from the Electric Power Company as a whole  
price, which was equal to the price paid by the power-  
also to the Company. In 1914, however, the Legislature  
passed The Electric Power Development Act which provided  
that, notwithstanding the agreement, the municipalities  
instead of paying the minimum price of Williams Falls, times  
by the agreement, should pay to the Commission "the average  
cost per horsepower to the Commission the power developed  
by the Commission as generated under contract with any other  
person or individual developing power at Williams Falls, to be  
annually adjusted and reported by the Commission." While,  
in effect, abrogated the original agreement and enabled the  
Commission to increase the price charged to the municipalities.  
Instead therefore of charging the minimum price per horsepower  
at Williams Falls, which was fixed by the 1913 agreement at  
approximately \$5.00 per horsepower, the Commission charges the  
present cost, which in 1922 amounted to \$14.00 per horsepower,  
which is the maximum rate charged by the Commission, which  
resulted from raising a large portion of the 1922 revenue for  
renewals to reduce 1922 power costs.



The results of operation to October 31st, 1922, disclose no justification for the purchase of the stock of the Company by the Commission. The wisdom of the transaction, therefore, depends entirely upon the value to the Province, the Commission and the municipalities of the intangible assets of the Company, which value in turn depends upon the necessity of the Commission owning these intangible assets in carrying out its plans for future increased supply of power from Niagara Falls. The eventual cost of the Company's undertaking will form part of the cost of the complete service at Niagara Falls and vicinity of power generated by the Commission and under Sections 22 and 23 of the Power Commission Act be repayable by the municipalities. As previously indicated the interest so far acquired in the undertaking of the Ontario Power Company by the municipalities is but a trifling proportion of the total cost.

In the foregoing we have merely outlined some of the main features of the acquisition and administration of the Company. Full particulars of the component parts of the undertaking and of the accounts and operations of the Commission in connection therewith are contained in the accompanying reports of our Consulting Engineer and Accountants, to which we respectfully refer Your Honour. We, however, respectfully submit for your consideration the following comments upon some matters in connection with the

The results of operation to October 31st, 1932, likewise no facilities for the payment of the water rate by the Company. The wisdom of the rate, however, is entirely open to question. The Commission, the Commission and the municipalities of the various cities of the Company, which value in 1932, depends upon the necessity of the Commission to pay the water rate in carrying out its plan for future increased supply of power from Niagara Falls. The eventual cost of the Company's undertaking will be paid at the cost of the water rate at Niagara Falls and vicinity of power generated by the Commission and other facilities 22 and 23 of the Power Commission Act be payable by the municipalities. As previously indicated the interest on the assigned in the undertaking of the various power Company by the municipalities to that a trifling proportion of the total cost.

In the foregoing we have merely outlined some of the main features of the legislation and administration of the Company. Full particulars of the various parts of the undertaking and of the various and operations of the Commission in connection therewith are contained in the accompanying reports of our Consulting Engineer and Accountant, to which we respectfully refer for further details. However, respectfully submit for your consideration the following comments upon some matters in connection with the



affairs of the Company which have been investigated by us.

Administration and Operation of the  
Ontario Power Company by the Commission.

Shortly after the acquisition by the Commission of the Company, it was decided to proceed with an extension of the plant including an additional wood stave pipe line, turbines, electrical and other equipment.

As before mentioned, from August 1st, 1917, the Company had as its Directors and Officers, members and officers of the Commission, Sir Adam Beck having been appointed President, Mr. Gaby, Chief Engineer, and Mr. Pope, Secretary of the Company. The procedure of the Directors of the Company in relation to the extension to the plant is shown in the following extracts from the Minutes of their Meetings:

Meeting of Directors, Dec. 5th, 1917 (Page 18)

"Upon the report and recommendation of the Chief Engineer respecting the shortage of power to supply the needs of the Company and his recommendation that the Company's plant at Niagara Falls be extended and a wood stave pipe line, together with the necessary turbines and electrical equipment be constructed for a third conduit, it was resolved that the Company proceed with the extension of the plant at Niagara Falls, including an additional wood stave pipe line, turbines, electrical and other equipment, so that an additional

status of the company which have been investigated by me.

Administrative and Operational Status of the  
Electric Power Company in the Commission.

Shortly after the completion of the Commission  
of the company, it was decided to proceed with an expansion  
of the plant including an additional coal steam generating  
turbines, electrical and other equipment.

As before mentioned, the investigation, the  
company has as its directors and officers, members and  
officers of the Commission, in which have been  
appointed President, Mr. [Name], Vice President, and Mr.  
[Name], Secretary of the company. The procedure of the  
directors of the company in relation to the extension to the  
plant is shown in the following extracts from the minutes  
of their meetings:

Minutes of Directors, Dec. 1941 (Page 18)

"Upon the report and recommendation of the Chief  
Engineer regarding the status of power to supply the  
needs of the company and his recommendation that the company's  
plant at Niagara Falls be extended and a new steam plant  
line, together with the necessary turbines and electrical  
equipment be constructed for a third unit, it was resolved  
that the company proceed with the extension of the plant at  
Niagara Falls, including an additional coal steam generating  
turbines, electrical and other equipment, as well as additional



capacity of from 40,000 to 50,000 h.p. be produced. It was further resolved that the Chief Engineer proceed to secure tenders and full information in respect to the necessary turbines and other electrical equipment and submit a report on the same at the earliest possible date."

Meeting of Directors, Dec. 6th, 1917 (page 20)

"The matter of wood stave pipe line was again considered and the Chief Engineer was instructed to proceed without delay to prepare the necessary plans and material covering the proposed work, for submission to the Board of Directors for their consideration and approval. When such approval is given the Secretary was instructed to prepare and forward the necessary application to the Queen Victoria Niagara Falls Park Commission."

Meeting of Directors, Dec. 20th, 1917 (page 22)

"The Chief Engineer submitted a further report with respect to the construction of wood stave pipe line at Niagara, outlining an estimated expenditure of \$1,806,000 covering the supplying of an additional 50,000 h.p. The matter was carefully considered and it was decided that the scheme in its entirety was necessary and feasible, providing the financial arrangements could be carried out and the matter was left in the hands of the President to submit a complete statement of the present and proposed earnings of the Company to the Bank

agreement of the 23,000 to 25,000 B.P. as indicated. It was further stated that the 23,000 B.P. was indicated in the report and full information in respect to the necessary machinery and other electrical equipment and submit a report on the same at the earliest possible date.

Minutes of the Board of Directors, Dec. 24th, 1917 (page 20)

"The matter of wood stove pipe line was again considered and the final decision was deferred to proceed without delay to prepare the necessary plans and material covering the proposed work, for submission to the Board of Directors for their consideration and approval. With such approval as given the necessary was instructed to prepare and forward the necessary application to the Board of Directors Niagara Falls Park Commission."

Minutes of the Board of Directors, Dec. 24th, 1917 (page 22)

"The 23,000 B.P. was indicated in the report with respect to the construction of wood stove pipe line at Niagara. It was further stated that the 23,000 B.P. was indicated in the report and full information in respect to the necessary machinery and other electrical equipment and submit a report on the same at the earliest possible date. The matter was again considered and it was decided that the same in the early was necessary and feasible, providing the financial arrangements could be carried out and the matter was left in the hands of the President to submit a complete statement of the present and proposed earnings of the Company to the Board."



of Montreal with a view of obtaining the necessary money to cover the work.

Arrangements for a loan of \$1,250,000 from the Bank of Montreal for the purpose of constructing the proposed work were made by the Commission, and under authority of an Order-in-Council dated February 6th, 1918, this loan was guaranteed by the Government of Ontario, and first mortgage bonds of the Company to the amount of \$1,400,000 were pledged to the Bank as collateral security for the loan.

Construction was begun shortly afterwards and the work was completed in the spring of 1919. Mr. Gaby's estimate of the cost was largely exceeded, the total cost being \$3,514,676.62, an increase of almost 100 per cent.

At the hearing on April 5th, 1923, Messrs. Gaby, Acres and Trimble, Engineers of the Commission, gave evidence at great length in explanation of the increase in the cost of this work over the estimate. Their testimony was to the effect that such increase was mainly due to the following causes:

1. Change in and addition to the design after the original estimate was made.
2. Plans of certain parts of the work were not completed for months after the work was started.
3. The difficulty in getting materials, such as steel.
4. Increase in cost of materials.
5. Increase in labor costs.
6. Decrease in efficiency of labor.

of Montreal with a view of obtaining the necessary money to cover the work.

Arrangements for a loan of \$1,500,000 were made

of Montreal for the purpose of constructing the proposed canal were made by the Commission, and under authority of an Order-in-Council dated February 28th, 1912, this loan was guaranteed by the Government of Ontario, and three mortgage bonds of the Company to the amount of \$1,400,000 were placed to the loan.

a collateral security for the loan.

Construction was begun shortly afterwards and the

work was completed in the spring of 1913. Mr. Tappin's estimate of the cost was largely exceeded, the total cost being \$2,412,873.22, an increase of almost 70 per cent.

In the interim on April 23rd, 1912, Messrs. Tappin, Tappin and Tappin, Engineers at the Commission, have advised

at great length in explanation of the increase in the cost of this work over the estimate. Their testimony was to the effect that such increase was mainly due to the following causes:

1. Change in and addition to the design after the original estimate was made.

2. Change of certain parts of the work when not completed for months after the work was started.

3. The difficulty in getting materials, such as steel.

4. Increase in cost of materials.

5. Increase in labor costs.

6. Decrease in efficiency of labor.



7. Shortage of Labor.
8. Labor troubles.
9. Flu epidemic.
10. Objection of the men to work when the spray from the Falls was blowing in their direction.
11. The necessity for paying extra to the men while working under conditions outlined above.
12. Unforeseen cost of casing and backfilling the pipe line.

COPY

There is no doubt that there were many and great difficulties in the way of anyone constructing large public or other works at that period, and for these difficulties liberal allowance should be made. But a careful analysis of the original estimate and of the cost of the work indicate that there was very little detailed study of the project. The great difference between the estimated cost and the actual cost was due, not to changes in and additions to the design or to conditions and contingencies that it was impossible to foresee or provide for, but to the omission of important items and failure to provide for conditions and contingencies which should have been taken into account. There was no study of the cost such as would have been made by a contractor tendering to construct the work for a lump sum.

Full details of the costs of the extension and a comparison of estimated and actual costs are given in the report to us by Mr. Francis on "Engineering Data, The Ontario Power Company of Niagara Falls, Description of Plant" trans-

7. Shortage of labor.

8. Labor expenses.

9. The epidemic.

10. Disposition of the land is now under the Navy, and the Navy has no authority to lease it.

11. The necessity for paying extra to the men while working under conditions outlined above.

12. Estimated cost of making and installing the pipe line.

There is no doubt that there were many and great

difficulties in the way of anyone attempting large public

or other works at that period, and for these difficulties

liberal allowances should be made. But a careful analysis of

the original estimate and of the cost of the work indicate

that there was very little detailed study of the project.

The great difference between the estimated cost and the actual

cost was due, not to changes in and additions to the design

as in construction and construction that it was impossible

to foresee or provide for, but to the omission of important

items and failure to provide for conditions and contingencies

which should have been taken into account. There was no

study of the cost which would have been made by a competent

tendering to construct the work for a lump sum.

The details of the route of the extension and a

comparison of estimated and actual costs are given in the

report by Mr. Francis M. Thompson, Chief Engineer, U.S. Navy,

Washington, D.C., dated August 1, 1910.



mitted herewith and to which attention is respectfully directed. Some of the items given by Mr. Francis, in which the estimates were largely exceeded, were:

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Item	Percentage of Actual Unit Cost over Estimated Unit Cost.
Wood Stave Pipe (Third)	34%
Excavation for Pipe Line	198%
Steel for Distributor	102%
Penstock Concrete	103%
Power House Substructure	73%
Power House Superstructure	67%

---

The items of engineering expenses and interest, which together amounted to \$240,039.74, were omitted altogether from the estimate submitted to the Commission.

The truth probably is that the estimate was not intended to be complete nor was it assumed to be accurate. As Mr. Acres, the Hydraulic Engineer, stated to us, some of the plans were not out until months after the work was begun. The Commission had probably come to the conclusion that the work had to be done at once, whatever the cost might be, and did not cause a comprehensive study of cost to be made beforehand. If this was the view of the Commission it should have frankly stated it to the Government at the time the guarantee by the Government of the cost was sought by it.

The \$1,250,000 secured from the Bank of Montreal amounted to a little more than one-third of the total cost. No application for a further guarantee was made at the time to the Government, but there was lying in the hands of the

most important and it will be seen that the estimate is very roughly  
correct. Some of the items given by Mr. Brown, in which  
the estimate was largely correct, were:

Item	Approximate of Actual Value over Estimated This Year.
Wood Stave Pipe (Third) Estimated for Pipe Line Steel for Waterworks Pomatook Concrete Pomatook Waterworks Pomatook Waterworks Pomatook Waterworks	345 188 102 103 103 103 103

The items of engineering expenses and interest, which  
together amounted to \$1,000,000, were omitted altogether from  
the estimate submitted to the Commission.  
The fact probably is that the estimate was not in-  
cluded to be complete and was it intended to be a statement.  
Mr. Acres, the Hydraulic Engineer, stated to me, some of the  
figures were not very small errors when the work was done. The  
Commission had probably seen in the statement that the work  
and so he had at once, whatever the work might be, and this  
and hence a comprehensive study of case to be made necessary.  
It will be the view of the Commission it should have been  
added to the statement at the time the statement was  
Government of the cost was sought by it.  
The \$1,250,000 amount from the bank of the  
amounted to a little more than one-third of the total cost.  
No application for a further guarantee was made at the time  
to the Government, but there was left in the hands of the



Commission \$1,700,000 which had been voted by the Legislature, for construction of works in the Central Ontario System and which was held by the Commission as the agent of the Government. Without any authority from the Government or the Legislature the Commission took this sum and used it to complete the construction of the third pipe line. This was later paid back out of appropriations for the Niagara System.

#### Accident at Company's Plant

The original plant consisted of 14 units. Two additional units, Nos. 15 and 16, were installed in connection with the third pipe line. On April 20th, 1922, an accident occurred which resulted in the destruction of Units Nos. 15 and 16 and considerable damage by water to a number of other units causing a very large temporary reduction in the capacity of the plant. Generators Nos. 15 and 16 have not yet been replaced, but the water conducted by the third pipe line being used in connection with the other units increases to a certain extent the energy produced by them.

Mr. Francis in his report to us includes "A Study of the Economic Effect of the Accident, on April 20th, 1922, at the Plant of The Ontario Power Company of Niagara Falls." In this very thorough and comprehensive study Mr. Francis states that it would be fair to place the total cost of the accident at about \$300,000 in round figures.

Commissioner \$2,700,000 which has been voted by the Legislature  
for construction of works in the Central Ontario System and  
which was held by the Commission as the agent of the Govern-  
ment. It is not any authority from the Government in the  
Legislature the Commission with this amount need it to  
complete the construction of the third pipe line. This was  
later paid back out of appropriations for the Niagara System.

Assistant to Engineer's Office

The original plant consisted of 14 units. Two  
additional units, Nos. 15 and 16, were installed in connection  
with the third pipe line. On April 10th, 1935, an accident  
occurred which resulted in the destruction of units 15  
and 16 and considerable damage by water to a number of  
other units. A very large temporary reduction in the  
capacity of the plant. Generators Nos. 15 and 16 have not yet  
been replaced, but the water supplied by the third pipe line  
being used in connection with the other units requires in  
a certain extent the energy produced by them.

Mr. Thomas in his report to us includes a study  
of the economic effect of the accident, as April 10th, 1935,  
at the time of the Ontario Power Company at Niagara Falls.  
In this very thorough and comprehensive study Mr. Thomas  
states that it would be fair to place the total cost of  
the accident at about \$2,000,000 in round figures.



Liabilities of the Company.Balance Sheet.

The following is a summary of the assets and liabilities of the Ontario Power Company and the Ontario Transmission Company as at October 31st, 1922:

ASSETS.

Plant, Real Estate, Transmission  
Lines, Distributing Stations and  
Rights, Franchises, Goodwill, etc. \$25,132,427.40

Third Pipe Line, including  
additional generating equipment.. 3,514,676.62

Sundry Equipment 42,518.86

\$28,689,622.88

LESS -

Capital Stock of the Ontario  
Transmission Company, Limited 1,000,000.00

Total Capital Assets \$27,689,622.88

Materials and Supplied . . . . . 40,926.74

Current Assets - Accounts Receivable,  
Cash, etc . . . . . 753,941.06

Claim against J. J. Albright . . . . . 295,633.20

Deferred charges to future operations,  
unamortized bond discount, American  
exchange and prepaid insurance . . . . . 1,286,265.43

Total Assets. . . . \$30,066,389.31

Statement of the Company.

Balance Sheet.

The following is a summary of the assets and

liabilities of the company as at October 31st, 1922:

Transmission Company as at October 31st, 1922:

ASSETS.

Land, Leasehold, Transmission  
Lines, Distribution Systems and  
Rights, Franchises, Goodwill, etc. \$25,135,437.40

Third Pipe Line, including  
related operating equipment. 5,815,476.63

\_\_\_\_\_  
\$30,950,914.03

COPY

\$27,668,622.68

LESS -

Capital Stock of the Company  
Transmission Company, Limited

\_\_\_\_\_  
\$1,000,000.00

Total Capital Assets

\$27,668,622.68

Reserve and surplus - General Reserve - Reserve for Depreciation,  
Cash, etc. 758,941.0

Other Reserve - U. T. Right of Way, etc. 235,668.2

Other Reserve - U. T. Right of Way, etc. 235,668.2

Other Reserve - U. T. Right of Way, etc. 235,668.2

Total Assets. \$30,066,389.3



LIABILITIES.

Capital Stock - Ontario Power Company \$10,000,000.00

Bonds and Mortgages:

1st Mortgage 5's due Feb.1,1943 of the Ontario Power Company	\$9,092,000.00	
1st Mortgage 5's due May 1,1945 of the Ontario Transmission Company, Limited	<u>1,599,000.00</u>	10,691,000.00

Hydro-Electric Power Commission:

Cash advanced for construction of Third Pipe Line	3,514,676.62	
6%, 1941 Bonds issued by Com- mission for the purpose of retiring the 1921 issue of the Power Company, together with accrued interest thereon	3,267,856.16	
Accrued interest on \$8,000,000 Bonds issued by the Commis- sion to cover the purchase price of the capital stock of the Power Company	80,000.00	
Amount owing on current account	<u>328,508.05</u>	7,191,040.83

Accounts payable and accrued charges including accrued interest on Power Company Bonds . . . . .		188,172.60
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Reserve set aside to cover claims made by the Queen Victoria Niagara Falls Park Commission, also for contingencies		527,684.30
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Provision to cover accrued portion of sinking funds to October 31st, 1922		21,557.70
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Reserve for Renewals . . . . .		1,387,736.85
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Surplus . . . . .		<u>59,197.03</u>
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Total Liabilities		<u>\$30,066,389.31</u>
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Official Record - Volume 10

1941, I was one of the first to  
of the Government of the  
Company.

30,000,000.00

of the Power Company  
also to cover the purchase  
Bonds issued by the Commis-  
sioner of the Public Lands  
on \$8,000,000  
of the Power Company

62, 63, 72, 8

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*Journal of Management Education* 30(6)p.789-804

Power Company Bonds . . . . .

Figure 1

These findings are also being continued by the American Economic Institute

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840. 84

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Approved for Release 2001/08/01 : CIA-RDP80-01060A000100010001-9

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國體主義と社會主義の衝突と解決



The Power Company being a distinct entity from the Commission, the \$3,200,000 and \$8,000,000 debenture issues of the Commission referred to in the foregoing statement of liabilities, are not a direct charge on the assets of the Company. The former, having been used for the purpose of payment of the second mortgage 6% debentures of the Company due 1st July, 1921, represents part of an advance by the Commission to the Company of the amount required to redeem these second mortgage debentures. The \$8,000,000 issue is not in reality either a direct or indirect liability of the Company, representing as it does, the purchase price of the shares of the Company, and redeemable as to principal and interest by the Commission, so far as the Company is concerned, only out of surplus income of the Company so long as it is operating. The Commission, however, being owner of all the issued capital stock of the Company, virtually owns the undertaking, which is being treated, and subject to any necessary amendments to the Power Commission Act, rightly, as works of the Commission, it would seem advisable that the accounts of the Company should as nearly as possible be on a similar basis to those of other works of the Commission so that the liability of the municipalities and their annual payments may be more definitely defined and accurately apportioned.

The Power Company being a distinct entity from  
the Commission, the \$2,200,000 and \$2,200,000  
amounts of the Commission referred to in the foregoing  
statement of liabilities, are not a direct charge on the  
assets of the company. The former, being used for  
the purpose of payment of the interest on the bonds  
of the company due July 1, 1921, represents part of an  
advance by the Commission to the company of the money  
which is to be repaid to the Commission when the bonds  
are paid in full. The latter is not a direct charge on the  
direct liability of the company, representing as it does,  
the purchase price of the bonds of the company, and  
representing as it is principal and interest on the Commission,  
as far as the company is concerned, only one of the  
items of the company to pay as it is a liability. The dis-  
tribution, however, being made of all the funds capital-  
ized of the company, virtually over the entire amount, which  
is being received, and subject to any necessary amendments to  
the Power Commission Act, which, as far as the Commission  
is concerned, it would seem advisable that the amount of the  
company should be made as nearly as possible to be a similar basis  
to that of other works of the Commission as that the  
liability of the Commission and their annual payments  
may be more fully defined and accurately accounted.



Among the bonds assumed was a 6% issue maturing July 1st, 1921, and it is interesting to note that it cost the Commission approximately \$518,000.00 over the face amount of the bonds outstanding at the date of maturity to refund them. A brief statement showing how these bonds were retired and what the \$518,000.00 represented, is as follows:

|                                 |                |
|---------------------------------|----------------|
| 6% bonds maturing 1921, retired | \$2,753,000.00 |
|---------------------------------|----------------|

The funds for the purpose of retiring these bonds were provided by the Commission as follows:

|   |                  |
|---|------------------|
| By the issue of 20-year 6% bonds of the Commission in the amount of | 3,200,000.00     |
| Cash advanced from the funds of the Ontario Power Company           | <u>71,375.44</u> |

|                            |                     |
|----------------------------|---------------------|
| Making together a total of | <u>3,271,375.44</u> |
|----------------------------|---------------------|

|   |                            |
|---|----------------------------|
| Excess of bonds issued and cash provided over face value of bonds retired | <u><u>\$518,375.44</u></u> |
|---|----------------------------|

Which is made up as follows:

|   |                          |
|---|--------------------------|
| American exchange charges on bonds retired                  | 358,157.70               |
| Discount and expenses of new bonds issued by the Commission | <u>160,217.74</u>        |
| Together as above   | <u><u>518,375.44</u></u> |

It might be well to mention that the bond issues of the Ontario Power Company and those of the Commission in connection with the Ontario Power Company, are payable in the United States as well as Canada, both as to interest and principal. Up to the present time, the Commission has incurred substantial amounts of exchange charges in the payment of interest on these bonds, which is offset in part by exchange profits received from the Niagara, Lockport & Ontario Power

Among the bonds assumed was a 5% issue maturing

July 1st, 1911, and it is interesting to note that it was the  
Commission's responsibility \$215,000.00 over the 10% bonds which the  
the bonds maturing at the date of maturity as stated above.  
A brief statement showing how these bonds were retired was  
which was \$215,000.00 represented, is as follows:

\$2,752,000.00 5% bonds maturing 1911, retired

The funds for the purpose of retiring  
these bonds were provided by the  
Commission as follows:

By the issue of 20-year 5% bonds of  
the Commission in the amount of  
each advanced from the funds of the  
Columbia River Company

\$2,752,000.00

Interest on bonds retired and cash  
provided over last year of  
bonds retired

\$15,000.00

Which is made up as follows:

Interest on bonds retired  
Interest on bonds retired  
Interest on bonds retired  
Interest on bonds retired

\$15,000.00

It might be well to mention that the bond issue of  
the United States Company and those of the Commission in con-  
nection with the Columbia River Company, were payable in the  
United States as well as Canada, and as an interest and  
principal. Up to the present time, the Commission has received  
substantial amounts of exchange charges in the payment of in-  
terest on these bonds, which is often in part by exchange  
credits received from the Niagara, Lakeport & Ontario Power



company as they pay their power bills in American funds under the terms of an agreement.

Reserves for Sinking Fund, Renewals and Contingencies should be provided as required in respect of other works of the Commission, and all monies received by the Commission on sinking fund account should be invested in securities of the Province and these securities delivered to the Treasurer of Ontario in compliance with Section 15 of the Act, so far as this is possible, having regard to the provisions of the bond mortgages.

Sinking Fund Reserve.

A **COPY** study of the operating accounts fails to show any direct provision from revenue for sinking fund to be used to retire bonds for the Ontario Power Company and the Ontario Transmission Company, and it would appear that funds in the amount of \$872,213, used in retiring certain bonds issued, have to a large extent been appropriated out of the reserve for renewals and that this account had been depleted to the extent of \$725,000 at the end of 1922. The total long term indebtedness of the Company, and the Commission in respect of the Company amounted to \$25,405,676.62 at October 31st, 1922.

Contribution to Sinking Fund insufficient.

An annual provision of approximately \$150,000 has been made since 1918 by the Commission in respect of the bond issues of the Ontario Power Company and a contribution of \$30,000 per annum was begun in 1918 in respect of the bond issues of the Transmission Company.

company as they may deem fit in connection with the  
the terms of an agreement.

Respectfully for the Board, the Commission and the  
should be provided as required in respect of other items of the  
Commission, and all matters received by the Commission as also  
the Commission should be provided in respect of the  
provisions and these provisions delivered to the Commission  
in accordance with section 11 of the Act, on the day  
this is made, having regard to the provisions of the bond  
certificates.

Transmission Company

A copy of the proposed agreement is being  
direct provision for the Commission and the Board  
to the Board for the Ontario Power Company and the  
Transmission Company, and it would appear that there is no  
amount of \$25,000, and in relation to the same, have  
to a large extent been satisfied and in the respect for  
removal and that this amount has been deposited in the  
of \$25,000 at the end of 1917. The Board has been  
debtedness of the Company, and the Commission in respect of the  
Company amount to \$25,000 at the end of 1917.

Transmission Company

An annual provision of approximately \$10,000 has been  
made since 1911 by the Commission in respect of the same interest  
of the Ontario Power Company and a contribution of \$25,000 per  
annum was begun in 1918 in respect of the same interest of the

Transmission Company.



The sinking fund available, if continued on the same basis until maturity of the bonds, will be inadequate for the retirement of the bonds at maturity in the amount of approximately \$7,000,000. and a means of financing this deficiency will require to be provided before the bonds become due.

Reserve for Renewals should be increased

The balance in the reserve for renewals account in respect of the combined properties of the Ontario Power Company and the Ontario Transmission Company, Limited, at October 31st, 1922, was \$1,767,026.04, comprising the following:

Balance, August 1st, 1917. . . . . \$880,833.35

Reserves:

|                           |              |                     |
|---------------------------|--------------|---------------------|
| Year ending Oct. 31, 1920 | \$385,498.44 |                     |
| Year ending Oct. 31, 1921 | 385,814.69   |                     |
| Year ending Oct. 31, 1922 | 335,777.71   | 1,107,090.84        |
|                           |              | <u>1,987,924.19</u> |

LESS:

Charges-

|                           |              |                   |
|---------------------------|--------------|-------------------|
| Year ending Oct. 31, 1920 | \$ 35,230.66 |                   |
| Year ending Oct. 31, 1921 | 118,308.46   |                   |
| Year ending Oct. 31, 1922 | 67,359.03    | 220,898.15        |
|                           |              | <u>220,898.15</u> |

Total balance, October 31, 1922-\$1, 767,026.04

No provision was made for renewals for the years ending October 31st, 1918, and October 31st, 1919.

It will be noted from the foregoing statement that interest has not been added to the balance at the credit of this fund as is the practice of the Commission in the case of other power undertakings. In this statement will be seen

The closing year available, is contained in the same  
books with reference to the books, will be necessary for the  
replenishment of the books at present in the amount of approx-  
imately \$7,500,000. and means of clearing this liability  
will require to be provided before the books become due.

Reserve for General Fund in Interest

The balance in the reserve for general account in  
respect of the interest properties of the General Fund Company  
and the General Insurance Company, Limited, at December 31st,  
1932, was \$1,767,214.34, comprising the following:

**COPY**

|                            |                     |
|----------------------------|---------------------|
| Balance, January 1st, 1931 | 1,767,214.34        |
| Interest:                  |                     |
| Year ending Dec. 31, 1930  | \$386,498.44        |
| Year ending Dec. 31, 1931  | 386,814.29          |
| Year ending Dec. 31, 1932  | 1,107,090.60        |
|                            | <u>1,987,324.19</u> |

|                           |                     |
|---------------------------|---------------------|
| Year ending Dec. 31, 1930 | \$386,498.44        |
| Year ending Dec. 31, 1931 | 386,814.29          |
| Year ending Dec. 31, 1932 | 1,107,090.60        |
|                           | <u>1,987,324.19</u> |

As mentioned was made for general for the year  
ending December 31st, 1932, and January 1st, 1933.  
It will be noted from the foregoing statement that  
interest has not been added to the balance on the credit of  
this fund as in the practice of the Corporation in the case of  
other power undertakings. In this statement will be seen



a credit balance of \$880,833.35 as at August 1st, 1917.

When the properties were acquired by the Commission this credit was made up largely of a transfer from the surplus account at that date. There is no information available as to what actually constituted the credit amount in this reserve at that date as the original books of account are not available. It is clear, however, that it was of little or no practical value as there was only a small amount of liquid assets available for renewal purposes at that date.

Our Consulting Engineer has expressed the following opinion as to the adequacy of the renewal reserve at October 31st, 1922:

"The balance sheet of the combined properties at October 31st, 1922, shows assets of approximately \$31,000,000, which includes about nine or ten millions of dollars of intangibles.

.....Considering all factors the amount of depreciable capital to be covered by a renewal account is probably of the order of six million or seven million dollars.....As the plant has been in operation for nearly twenty years, it would appear that the total amount in the reserve account, which now stands at approximately one and three-quarters millions of dollars on the books, is smaller than it should be. Further, it should be borne in mind that no information is available regarding the composition of the initial provision (\$880,833.35) for the fund and that the book value of the whole renewals account apparently does not represent actual funds available for renewals or extensions, as the moneys that have been set aside for renewals have been called upon for the retirement of bonds to the extent of over \$700,000."

able for renewal purposes at that date.

1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 26

"The balance sheet of the combined corporation at October 31st, 1931, shows assets of approximately \$11,000,000, which includes about nine or ten millions of dollars of intangibles. .... Consolidating all factors the amount of identifiable capital is covered by a reserve account is immaterial of the order of six million or seven million dollars. .... The plant has been in operation for nearly twenty years, it would appear that the total amount in the reserve account, which now stands at approximately one and three-quarters millions of dollars on the books, is smaller than it should be. Further, it should be borne in mind that no information is available regarding the disposition of the initial provision \$500,000.00 for the fund and that the best value of the whole reserve account is approximately four million dollars and actual funds available for replacement or replacement, as the company has been able to call for payments have been called upon for the replacement of assets in the amount of over \$700,000.00."



Should a substantial amount be required for renewals the reserve will be insufficient and it will be necessary to provide such funds by issuing new bonds, or by some other means.

Since the close of the fiscal year ending October 31st, 1922, the Commission has made a revision in the renewal rates, as follows:

- (1) The 1.85% per annum formerly used on the properties, including lands of the Ontario Power Company of Niagara Falls, has been reduced to 0.75% with interest at 4% per annum, to be effective from August 1st, 1917.
- (2) The 2.85% per annum formerly used as applying to the Third Pipe Line has been discontinued with the view that this property is to be maintained out of current maintenance charges.
- (3) The 3% per annum formerly used on the properties including right-of-way of the Ontario Transmission Company, Limited, has been reduced to 1.25% with interest at the rate of 4% per annum, to be effective from August 1st, 1917.

On this basis the balance in the Renewal Account at October 31st, 1922, amounted to \$1,387,736.85, or \$379,289.19 less than the balance of \$1,767,026.04 before the revision was given effect to. The reduction was applied as follows:

Particulars.

|   |              |
|---|--------------|
| Applied to credit of sinking fund reserve - Third Pipe Line | \$112,481.98 |
| Applied as a reduction of 1922 power costs                  | 188,622.04   |
| Applied to credit of contingencies reserve                  | 72,935.96    |
| Balance credited to surplus                                 | 5,249.21     |
|   | \$379,289.19 |

Should a substantial amount be required for  
the reserve will be insufficient and it will be  
necessary to provide such funds by issuing new bonds, or  
by some other means.

Since the close of the fiscal year ending October  
31st, 1922, the Commission has made a revision in the reserve  
rates, as follows:

- (1) The 1.50% per annum formerly used on the prop-  
erty, including lands of the United States  
Company at White Lake, has been reduced  
to 0.75% with interest at 4% per annum, to be  
effective from August 1st, 1917.
- (2) The 1.50% per annum formerly used as applying  
to the White Lake property has been discontinued  
with the view that this property is to be  
maintained out of current maintenance charges.
- (3) The 3% per annum formerly used on the properties  
including right-of-way of the United States  
Company, limited, has been reduced to  
1.50% with interest at the rate of 4% per  
annum, to be effective from August 1st, 1917.

On this basis the balance in the reserve account  
at October 31st, 1922, amounted to \$1,247,738.00, or  
\$278,127.18 less than the balance of \$1,525,865.18 before  
the revision was given effect to. The revision was

applied as follows:

Particulars.

|                                    |              |
|------------------------------------|--------------|
| Applied to credit of sinking fund  |              |
| reserve - Third Five Nine          | \$112,481.93 |
| Applied as a reduction of 1922     |              |
| power costs                        | 188,622.04   |
| Applied to credit of contingencies |              |
| reserve                            | 72,522.76    |
|                                    | 1,142.21     |
| Balance credited to surplus        | \$278,127.18 |



Our Consulting Engineer has expressed the following opinion concerning the reduction of the renewal reserve:

"It is difficult to understand what advantage is to be expected from a further reduction in an already inadequate reserve for renewals."

And in respect of the use of renewal funds for the retirement of bonds, he states as follows:

"It might be argued that the use of reserves for renewals to provide a fund for the retirement of outstanding bonds could be justified if it is the intention to scrap the plant of the Ontario Power Company, but in that case it would seem reasonable that provision should be made to set aside a fund from revenues sufficient to pay all obligations before the plant will have lost its earning power."

COPY  
In our opinion the course taken by the Commission in respect of the Renewal Fund was unwise and unsound. The reserve as it stood was inadequate and should have been increased rather than diminished. The course taken also lessened the security which the Government had for its guarantee.

#### Reserve for Contingencies of Uncertain Character.

A study of the accounts of the Ontario Power Company and the Ontario Transmission Company, indicates that the reserve for contingencies has not been provided on the same basis as for the other systems where a charge of approximately 25 cents per year per horse-power sold is made together with certain other provisions. At October 31st, 1922, the amount at the credit of the reserve for contingencies was

the Commission has been requested to follow

the Commission in its recommendation of the reserve fund.

"It is difficult to understand what advantage  
is to be expected from a further reduction in  
an already inadequate reserve for renewals."

and in respect of the use of reserve funds for the repair-

ment of bonds, he states as follows:

"It might be argued that the use of reserves  
for renewals to provide a fund for the repair-  
ment of outstanding bonds could be justified if  
it is the intention to scrap the plant of the  
Electric Power Company. But it is not the  
policy of the Commission that provision should be made  
to set aside a fund from revenues sufficient  
to pay all obligations before the plant will  
have lost its earning power."

COPY

In the opinion of the Commission the Commission

in respect of the General Fund was revised and amended. The

reserve as it stood was inadequate and should have been in-

creased rather than diminished. The reserve should also

include the security which the Government has for the

presented.

### Reserve for Contingencies at Electric Power Company

A study of the statement of the Electric Power Company

and the Ontario Transmission Company, indicates that the

reserve for contingencies has not been provided in the same

basis as for the other systems where a reserve of approximately

10 cents per year per horse-power is made together with

certain other provisions. As stated in 1922, the

amount of the credit of the reserve for contingencies was



\$527,684.30, made up as follows:

|  |                     |
|--|---------------------|
| In respect of estimated additional water rentals payable to the Queen Victoria Niagara Falls Park Commission | \$327,759.46        |
| In respect of claim against J. J. Albright for sinking fund payment  | 87,575.83           |
| In respect of claim against Niagara Lockport & Ontario Power Company   | 29,413.05           |
| Reserve for bad debts applying against amount owing by Department of Railways and Canals                     | 10,000.00           |
| Balance transferred from renewal reserve available to meet future expenses of a contingent nature            | <u>72,935.96</u>    |
| Total Reserve  | <u>\$527,684.30</u> |

It is difficult to regard these items as forming a reserve. It will be noted that if the Company fails to collect the accounts receivable included in the statement, and if it pays the amount shown in the statement as claimed by the Park Commission, there will remain only \$72,935.96 to meet future contingencies of an unknown nature. While a second catastrophe such as the accident of April 20th, 1922, is improbable, the accident furnished a striking proof of the advantages there would be in having a reserve fund for contingencies to cover accidents, although it might be considered unreasonable to have a contingency fund of sufficient magnitude to cover the total cost of an accident which might wreck a large portion of the plant. As it is there is no fund available to meet the loss occasioned by the accident of April, 1922,—a loss placed by our Consulting Engineer at not less than

\$527,684.30, made up as follows:

In respect of estimated additional water  
rentals payable to the Queen Victoria  
Waterfalls Water Commission

\$127,787.88

In respect of claim against J. J.  
Albright for clearing land payment

\$7,248.88

In respect of claim against Niagara  
Lockport & Ontario Power Company

\$9,418.05

Reserve for bad debts applying against  
amount owing by Government of Rail-  
ways and Canals

10,000.00

Balance transferred from General Reserve  
available to meet future expenses of  
a contingent nature

\$1,125.00

\$527,684.30

Total Reserve

It is further to be noted that there is no reserve.

It will be noted that in the foregoing table is

shown the amount available included in the statement,

and it is to be noted that in the statement of assets

of the York Commission, there will remain only \$1,025.00 as

net three contingencies of an unknown nature. While

these contingencies were as the result of April 1925, 1926,

in 1926, the account furnished a statement of the

statement there would be in making a reserve fund for con-

tingencies to cover accidents, although it might be considered

undesirable to have a contingency fund of arbitrary amounts

to cover the total cost of an accident which might occur

any time of the year. As it is there is no fund avail-

able to meet the cost estimated by the account of April,

1925,--a loss placed by the Commission of \$1,025.00



\$300,000. It is clear that the fund for contingencies as it stands today is entirely inadequate.

### Power Purchased

The following table shows the power purchased by the Ontario Power Company during the period from August 1st, 1917, to October 31st, 1921:

| Particulars   | 15 months<br>ending<br>Oct. 31/18 | Year ending October 31 |           |           |
|---|-----------------------------------|------------------------|-----------|-----------|
|   |                                   | 1919                   | 1920      | 1921      |
| TORONTO POWER COMPANY   |                                   |                        |           |           |
| Output of one machine   | \$267,760                         | \$132,802              | \$125,073 | \$216,450 |
| Cost of power furnish-<br>ed under Power Con-<br>troller's orders | 395,661                           | 140,593                | -         | -         |
| Additional Power  | -                                 | -                      | -         | 42,455    |
|   | \$663,421                         | \$273,385              | \$125,073 | \$258,905 |
| CANADIAN NIAGARA POWER<br>COMPANY                                 |                                   |                        |           |           |
| 8,942 h.p. at \$18.00   | -                                 | -                      | -         | 160,960   |
| 8,217 h.p. at \$16.20   | -                                 | -                      | -         | 133,109   |
| Exchange  | -                                 | -                      | -         | 16,317    |
| T o t a l   | \$663,421                         | \$273,385              | \$125,073 | \$569,291 |

### City of Niagara Falls

Previous to the purchase by the Commission the Company had, by an agreement with the City of Niagara Falls, a fixed taxation of \$16,000 a year for a period of ten years. The agreement terminated in 1916 and the City then proceeded to increase the assessment. The Commission acquired the Company in 1917 and paid taxes on the increased assessment. The Company objected to the assessment in each of the years 1918,

POSSIBLE TROUBLE

[illegible]

provided in the purchase of the terminal the Company had, by an agreement with the City of Niagara Falls, a fixed rental of \$16,000 a year for a period of ten years. The agreement terminated in 1918 and the City then proceeded to increase the assessment. The Commission advised the Company in 1917 and held talks on the increased assessment. The Company objected to the assessment in 1918 at the same time,



1919 and 1920 and the matter was discussed with the Government. No action was taken, however, so the taxes for these years were paid in accordance with the bills submitted. In 1921 the Company refused to pay the tax bill for that year and appealed against the assessment of \$2,771,000. Before the matter reached the Appellate Division an agreement was entered into whereby the Company agreed to pay the sum of \$98,657.42 for the 1921 taxes and this sum was actually paid.

The last mentioned agreement forms part of a Special Act passed May 4th, 1922, (12-13 Geo.V, Chap.120) ratifying and confirming by-law No. 1076 of the Corporation of the City of Niagara Falls. The by-law referred to was for the purpose of approving an agreement made between the City of Niagara Falls, the Company and the Commission, whereby the assessment on the plant was fixed for a period of ten years from January 1st, 1922, at \$2,500,000 (the assessment in 1917) and the maximum rate thereon at 30 mills on the dollar. This assessment is for all purposes, inclusive of taxation for school purposes, business or other general or special municipal taxation but does not affect local improvement rates imposed or levied upon the said properties.

Township of Stamford.

The Company is subject to taxation in the Township of Stamford also, as the headworks, pipe lines, the transformer station and part of the power station lie within the boundaries





of the Township. In 1903 an agreement between the Company and the Township was entered into, fixing the assessment for a twenty-one year period at \$100,000. The Company contended that this was the assessment for all purposes, but this view was not upheld by the Privy Council which finally adjudicated upon the matter.

As a result of this decision the Township was at liberty to place a much higher assessment on the Company's works for the purpose of school taxation. Full advantage was taken of the privilege so that in 1918 the assessment had reached \$1,300,000. Since the Commission acquired the Company the taxes imposed have been disputed each year but eventually paid. In 1919 the taxes paid by the Company were as follows:

|               |             |                 |            |
|---------------|-------------|-----------------|------------|
| General Taxes | : . . . . . | \$1,320.00      |            |
| School Taxes  | : . . . . . | <u>6,646.59</u> | \$7,966.59 |

|         |               |             |                  |              |
|---------|---------------|-------------|------------------|--------------|
| In 1922 | General Taxes | : . . . . . | \$ 2,580.00      |              |
|         | School Taxes  | : . . . . . | <u>11,737.59</u> | \$14,317.59. |

The period for the fixed assessment of \$100,000 expires in 1924. A memorandum on the file of the Commission in noting the taxes paid for 1919, states that after 1924 the taxes will be increased to the extent of approximately \$17,000 annually.

The question of the taxation of the plant of the Commission is a most important one for the municipalities interested. As we propose to deal with it in our General Report we shall not refer to it further here.

of the Township. In 1908 an agreement between the Township and the Township was entered into fixing the assessment for a twenty-one year period at \$100,000. The township determined that this was the assessment for all purposes, and that this was the amount of the Township which finally adjusted the matter.

As a result of this decision the Township was at liberty to place a new right assessment on the Company's works for the purpose of equalization. This advantage was taken of the privilege so that in 1913 the assessment was raised \$1,200,000. Since the Company accepted the Company the taxes have been raised each year and eventually sold. In 1913 the taxes sold by the Company were

[illegible]

The period for the fixed assessment of \$100,000 expires in 1984. A renegotiation on the life of the Commission in 1984 is being held for 1984, after which 1984 the terms will be increased to the extent of approximately \$15,000 annually.

Report we shall not water it is written here.

Interested. As we propose to deal with it in our General  
Commission is a most important one for the municipalities  
The question of the location of the plant at the



The position of the Province in Regard to the Company.

As a party to the agreement for the purchase of the Ontario Power Company the Province, as already pointed out, guaranteed payment of the debentures of the Commission issued in payment of the shares of the capital stock of the Company, also the payment of all outstanding bonds and debentures of the Company and the fulfilment of other obligations of the Company existing at the date of the acquisition of the shares. Subsequently it guaranteed a further issue of debentures of the Commission for \$3,200,000 and the loan of \$1,250,000 from the Bank of Montreal before referred to. The total liability of the Province in respect of the undertaking on October 31, 1922, exceeded \$25,000,000. The Government of the Province has no direct voice in or control of the affairs of the Company, all the shares of the capital stock being vested in the Commission and its nominees, and the Board of Directors and officers being members or officers of the Commission. The provisions of the Power Commission Act do not cover such a situation and in our opinion the Act should be so amended as to clearly define and safeguard the interests of the Province.

Relation of the Company to the Commission.

As sole holder of shares of the capital stock of the Company the Commission is virtual owner of the assets of the Company, subject to the liabilities chargeable against same. It can by virtue of its absolute control make or amend

RELATION OF THE COMPANY TO THE COMMISSION.

As a party to the agreement for the purchase of the Ontario Power Company the Province, as already pointed out, guaranteed payment of the debentures of the Commission issued in payment of the shares of the capital stock of the Company, also the payment of all outstanding bonds and debentures of the Company and the fulfillment of other obligations of the Company existing on the date of the acquisition of the same. Subsequently it guaranteed a further issue of debentures of the Commission for \$2,500,000 and the loan of \$1,250,000 from the Bank of Montreal before referred to. The total liability of the Province in respect of the undertaking on October 31, 1913, amounted to \$3,750,000. The Government of the Province has no direct value in or control of the affairs of the Company, all the shares of the capital stock being vested in the Commission and its nominees, and the Board of Directors and Officers being composed of officers of the Commission. The provisions of the Power Commission Act do not confer upon a director and in any event the Act should be so amended as to clearly define and separate the interests of the Province.

RELATION OF THE COMPANY TO THE COMMISSION.

As sole holder of shares of the capital stock of the Company the Commission is entitled under the statute to the Company, subject to the liabilities already mentioned. It has by virtue of its absolute control over the



any contracts between itself and the Company as are not inconsistent with the powers of either. The Power Commission Act, although authorizing the acquisition of the shares, makes no provision in regard to the power of the Commission in administering the business and affairs of the Company. The powers and duties of the Commission should be clearly defined by amendment to the Act.

#### Salaries voted to Commissioners and Officials

No provision was originally made in the Power Commission Act for the payment of salaries to the Chairman and the other members of the Commission, but by an amendment to the Act made in 1912 it was provided that the salary of the Chairman of the Commission should be \$6,000 per annum, which amount should be paid out of the Consolidated Revenue of the Province. By a further amendment made in 1914 it was provided that a sum not exceeding \$15,000 should be paid out of the funds of the Power Commission and should be divided between the Chairman and the other members of the Commission in such proportion as might be directed by Order-in-Council. Under this provision the sum of \$14,000 was apportioned by the Government, \$6,000 was allotted to the Chairman bringing his salary up to \$12,000 per annum, and \$4,000 to each of the other members of the Commission. These payments have been continued to the present time.

(44)

any contracts between itself and the Company as are not inconsistent with the powers of either. The Power Commission, although exercising the supervision of the electric, water and gas supply in regard to the power of the Commission in administering the business and affairs of the Company, the powers and duties of the Commission should be clearly defined by amendment to the Act.

#### Salaries voted to Commissioners and Officials

No provision was originally made in the Power Commission Act for the payment of salaries to the Chairman and the other members of the Commission, but by an amendment to the Act made in 1912 it was provided that the salary of the Chairman of the Commission should be \$1,000 per annum, which amount should be paid out of the Consolidated Revenue of the Province. By a further amendment made in 1914 it was provided that a sum not exceeding \$10,000 should be paid out of the funds of the Power Commission and should be divided between the Chairman and the other members of the Commission in such proportion as might be directed by Order-in-Council. Under this provision the sum of \$12,000 was apportioned to the Government, \$6,000 was allotted to the Chairman and his salary up to \$12,000 per annum, and \$4,000 to each of the other members of the Commission. These payments have been continued to the present time.



The Act incorporating the Ontario Power Company provides that there shall be a Board of Directors consisting of not less than seven, nor more than eleven individuals, each owning at least fifty shares of stock of the Company in his own right, and as it was necessary to keep the Company alive, transfers of 50 shares each were made to seven individuals composed of the Chairman and the other members of the Commission and certain of its officers, among whom were Mr. Gaby, the Chief Engineer, and Mr. Pope, the Secretary. Thus out of the 100,000 shares of stock 350 shares were made over to these Directors. For these shares no money whatever was paid to the Commission, and really, if not technically, the parties to whom they were transferred held them in trust for the Commission.

At a meeting of the Directors of the Ontario Power Company held on June 26th, 1918, a resolution was adopted that the salary of the President, Sir Adam Beck, be increased by \$6,000 per annum, the grant to date from the first day of August, 1917, the date on which the control of the Ontario Power Company passed into the hands of the Hydro-Electric Power Commission of Ontario. Sir Adam's annual salary was thus increased to \$18,000 per annum and he has been receiving this salary ever since. On June 29th, 1920, salaries of \$2,000 each were voted Honorable W. B. Lucas and Honorable Col. Carmichael, the first and second vice-presidents

(10)

The first information received from the Ontario Power Company provides that there shall be a board of directors, consisting of not less than seven, nor more than eleven individuals, each owning at least fifty shares of stock of the company in his own right, and as it was necessary to keep the company alive, members of the board were made to cover individuals composed of the Chairman and the other members of the Commission and certain of the officers, among whom were Mr. Galt, the Chief Engineer, and Mr. Pope, the Secretary. Thus out of the 100,000 shares of stock 250 shares were made over to these individuals. For these shares no money was ever paid to the Commission, and finally, in not substantially, the parties to whom they were transferred held them in trust for the Commission.

At a meeting of the Directors of the Ontario Power Company held on June 18th, 1918, a resolution was adopted that the salary of the President, Mr. John Galt, be increased by \$5,000 per annum, the first to date from the first of August, 1917, the date on which the control of the Ontario Power Company passed into the hands of the Hydro-Electric Power Commission of Ontario. Mr. Galt's annual salary was thus increased to \$15,000 per annum and he has been receiving this salary ever since. On June 20th, 1920, salaries of \$2,000 each were voted Messrs. E. B. Jones and Mr. Galt. Mr. Galt, the first and second vice-presidents



respectively, the salaries to take effect from January 14th, 1920. This increased the salary received by each of the two Commissioners from \$4,000 to \$6,000 per annum.

The services rendered by members of the Commission as officers of the Ontario Power Company are largely nominal. Personally they have not a copper's worth of interest in the stock of the Company and they operate the Company and its property solely as members of the Hydro-Electric Power Commission of Ontario. Meetings of the Directors are held infrequently. For some years past they appear to have averaged not more than two or three a year and they are almost all of a purely formal character. The business of The Company is managed by the Commission itself. The work of management is no greater than if the property of the Company had been bought out and out and the Company had gone out of existence. It surely was never contemplated by the Legislature that members of the Commission should, as directors of a skeleton company, have the right to increase as they pleased the salaries which the Legislature had fixed. That the work done by the Commission in respect of the Company is covered by the salaries fixed by the Legislature there is not the slightest doubt.

If the members of the Commission, instead of appointing themselves as Directors of the Ontario Power Company, had appointed members of their office staff as directors (as they might well have done), and the members

respectively, the salaries of some other than January  
1950, 1950. This amount of the salary received by each of  
the two committees from \$1,000 to \$2,000 per annum.  
The salaries received by members of the committee  
as officers of the United States House of Representatives  
personally they have not a copy of a report of interest in the  
state of the country and they operate the country and the  
property solely as members of the House-Executive House  
members of Congress. Members of the House are paid  
interestingly. The same person that they appear to have  
averaged the rate that two or three a year and that the  
House all of a family, family, interest. The business of  
the country is managed by the committee itself. The work  
of management is no greater than is the property of the  
country and even though not all and the country has  
gone out of existence. It surely was never contemplated  
by the legislature that members of the committee should  
be officers of a national company, have the right to  
decide as they please the salaries under the legislature  
has fixed. What the work done by the committee in respect  
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legislature there is not the slightest doubt.  
If the members of the committee, instead of  
appointed themselves as members of the United States  
House, had appointed members of their office staff as  
directors (as they might well have done), and the members



of the office staff had availed themselves of their position as directors of the Ontario Power Company to increase their own salaries, as the members of the Commission did, it is certain that the Commission would not have tolerated their action for a moment; and yet the members of the office staff would have had just as much right as directors to vote salary increases to themselves as the members of the Commission had to increase their salaries.

The Chairman and the other members of the Commission have appointed themselves directors and officers of other companies--both power companies and railway companies, the stock of which the Commission has taken over. They have just as much right and just as much reason to vote themselves salaries in these cases as in the case of the Ontario Power Company, but so far do not appear to have done so.

Sir Adam Beck, in his evidence before us, said that the Government knew about the increase of \$6,000 voted to him by the Directors of the Ontario Power Company and approved of it; but if certain members of the Cabinet approved of it the Government as a whole did not approve of it for no Order-in-Council was passed, and in any event

at the same time, the Government has been...  
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that the Government knew about the increase of \$6,000 voted  
to him by the directors of the Ontario Power Company and  
approved of it; but it certain members of the Cabinet  
approved of it the Government as a whole did not approve  
of it... and in my opinion...



the Government had no power to increase the the salaries of the Commissioners by Order-in-Council or in any other way. That was a matter for the Legislature. Sir Adam says that as Honorable Mr. Lucas, who was a member of the Commission at the time, was also a member of the Government, the Government must have known, but Mr. Lucas on being questioned by us on the subject says he does not know whether Sir William Hearst, who was then Prime Minister, knew of the increase or not. The increase granted to Col. Carmichael, was, Sir Adam Beck stated, known by the Honorable Mr. Drury, who was Premier at the time. This increase voted to Colonel Carmichael and Mr. Lucas was just as indefensible as the increase given to Sir Adam Beck. When the salary increases made by the Commission came to the attention of the Government they should have been stopped at once.

Considering the duties required of them and the heavy responsibilities resting upon them, the salaries received by the Chairman and the Members of the Commission from all sources appear to us to be none too high; but if increases were thought to be proper the matter should have been brought before the Government, and if the Government approved it should then have submitted the proposal to the Legislature. This course, in our opinion, might well be

the Government had no power to increase the salaries of the Commissioners by Order-in-Council or in any other way. That was a matter for the Legislature. Sir Allan says that as Honorable Mr. Innes, who was a member of the Commission at the time, was also a member of the Government, the Government must have known, but Mr. Innes on being questioned by me on this subject says he does not know whether Sir William Benson, who was then Prime Minister, knew of the increase or not. The increase granted to Sir J. Gammie, was, Sir Allan then stated, known by the Honorable Mr. Benson, the last Premier at the time. This increase voted to Colonel Gammie and Mr. Innes was just as incontestable as the increase given to Sir Allan Benson. When the salary increase made by the Commission came to the attention of the Government they should have been stopped at once.

Considering the duties required of them and the heavy responsibilities resting upon them, the salaries received by the Chairman and the members of the Commission from all sources appear to me to be none too high; but if increases were thought to be proper the matter should have been brought before the Government, and if the Government approved it should then have submitted the proposal to the Legislature. This course, in my opinion, might well be



taken now. The action taken by the Chairman and the other members of the Commission as directors of the Ontario Power Company in voting themselves salaries from this Company was improper and in clear violation of the spirit, if not the letter, of the Power Commission Act.

#### The Chairman's Predictions.

In the course of this Report we have referred to a statement made by Sir Adam Beck before the Committee on Water Power of the House of Representatives on April 15th, 1918. The following is a fuller extract from the statement regarding the acquirement of the Ontario Power Company:

"Negotiations were entered into, and the Hydro-Electric Power Commission acquired the plant and took possession after about a year's negotiation. The remaining 60,000 horsepower capacity is under contract to the Niagara, Lockport & Ontario Power Company. We assumed the whole of the bonded indebtedness of the Company, amounting to about \$14,000,000. We acquired the common stock of the Company and paid them \$8,000,000 in forty-year Hydro-Electric Power Commission 4% Bonds, guaranteed by the Province of Ontario. The purchase included a transformer station and a short system of lines in the immediate vicinity of the plant itself. During the first year of operation we reduced the cost of operation by over \$40,000. The revenue from our two firm contracts, one with the municipalities and one with the Niagara, Lockport & Ontario Power Company, expiring in 1950, will be sufficient to maintain the plant at the highest point of efficiency, provide for renewal and depreciation charges and operation, and at the same time accumulate sufficient revenue to retire the whole of the debt in 25 years. That is, instead of the





Ontario Power Company owning this plant in 25 years, we will, out of the reserves that we are setting aside, pay off the whole of our indebtedness, and own the plant free of debt in 25 years from last August.

THE CHAIRMAN: "Without increasing the cost to the consumers?

SIR ADAM BECK: "Yes, we are bound by contract. One contract is \$9.00 for 100,000 horsepower and the contract with the Niagara, Lockport & Ontario Power Company is for 60,000 horsepower at \$12.50. The revenue from these two contracts will provide enough money to pay off and retire all debts, including the 40-year bonds, in 25 years, after which we will own and control the plant and operate it to the best advantage of all concerned. More than that, when the time comes that more water or power is essential we can take the ten or twelve thousand cubic feet per second of water now being used comparatively inefficiently in the Ontario Power Company plant and use it in connection with our Queenston-Chippawa scheme, thus securing the advantage of the full head available between the two lakes."

Unfortunately for all interested in the successful operation of the Ontario Power Company, the records of the Company show that the rosy predictions of the Chairman of the Commission have fallen far short of realization. The contract to supply the municipalities with power at \$9.00 per horse-power has now, in effect, been superseded and the price per horse-power last year reached \$17.55. If the price had remained at \$9.00 per horse-power the revenue from this contract and the contract with the Niagara, Lockport & Ontario Power Company would have been sufficient to pay only 75 per cent. of operating expenses and interest on the bonded indebtedness of the Company, and would have left no revenue

Ontario Power Company owning this plant in 25 years, we will, out of the reserves that we are setting aside, pay off the whole of our indebtedness, and own the plant free of debt in 25 years from last August.

THE CHAIRMAN: "Without incurring the cost of the consummation?"

MRS. ADAM SMITH: "Yes, we are bound by contract. Our contract is \$2.00 per 100,000 horsepower and the contract with the Niagara, Lockport & Ontario Power Company is for \$2.00 per 100,000 horsepower at \$12.50. The revenues from these two contracts will provide enough money to pay off and retire all debts, including the 40-year bonds, in 25 years, after which we will own and control the plant and operate it to the best advantage of all concerned. Here comes that, when the time comes that more water or power is essential we can take the form of twelve thousand cubic feet per second of water not being used economically in the Ontario Power Company plant and use it in our power plant with our Niagara-Hydro-Electric Company, thus securing the advantage of the full head available between the two lakes."

Unfortunately for all interested in the successful operation of the Ontario Power Company, the records of the Company show that the very prediction of the Chairman of the Commission have failed for want of realization. The contract to supply the municipalities with power at \$2.00 per horsepower has now, in effect, been repudiated and the price per horsepower last year reached \$17.50. It is this contract and the contract with the Niagara, Lockport & Ontario Power Company would have been sufficient to pay only 75 per cent. of operating expenses and interest on the bonded indebtedness of the Company, and would have left no revenue



whatever to meet interest charges on the \$8,000,000 4% debentures issued by the Commission or to contribute anything to renewal and contingent funds or to the sinking funds to repay the debt. With the charge for power to the Niagara System raised to \$17.55 the revenue is sufficient to meet these charges, although, as pointed out, the renewal and contingent funds were and still are far from adequate. If the sinking fund is maintained on its present footing it will take, not twenty-five years, but nearly forty-nine years, from 1917 to pay off the bonded indebtedness of \$25,000,000. If the renewal and contingent funds are put on a proper footing it will take considerably longer than forty-nine years to pay for the property. It is doubtful, indeed, if the Company will be able, without increasing its present charges for power, to meet its necessary annual expenditures. It is to be hoped that any loss in the operation of the Company may be recouped as a result of the development as a whole of Niagara Falls power under the plans undertaken or contemplated by the Commission.

(11)

whether to make interest charges on the \$2,500,000 4% debentures issued by the Commission or to contribute anything to general and contingent funds on the sinking fund to repay the debt. With the change for power to the Niagara System which is \$15.15 the revenue is sufficient to meet these charges, although, as pointed out, the general and contingent funds were not until the 1st of January. If the sinking fund is maintained as in present footing it will take not twenty-five years, but nearly forty-nine years, from 1917 to pay off the bonded indebtedness of \$25,000,000. If the general and contingent funds are put on a proper footing it will take considerably longer than forty-nine years to pay for the property. It is doubtful, indeed, if the Company will be able, without increasing its present charges for power, to meet the necessary annual expenditures. It is to be hoped that any loss in the operation of the Company may be regarded as a result of the development as a whole of Niagara Falls power under the plans undertaken or contemplated by the Commission.



Our principal findings and conclusions may be shortly summarized as follows:-

1. The results of operation disclose no sufficient justification for the purchase of the stock of the Ontario Power Company by the Commission. The wisdom of the transaction depends on the value to the Province, the Commission and the municipalities served of acquiring the right to the water diverted by the Company from the Niagara River for its purposes.

2. The purchases of the stock of the Ontario Power Company by the Commission has resulted in a large increase in the cost to the Commission of power secured from this Company.

3. The purchase of the Ontario Power Company stock having been undertaken by the Commission for the municipalities, the price paid and all deficits in operation should be paid to the commission by the municipalities.

4. The sinking fund available to meet the bonds of the Company assumed by the Commission, if continued on the present basis, will fall short of providing funds for the retirement of these debentures at maturity to the extent of \$7,000,000.

The principal findings and conclusions may be

briefly summarized as follows:-

1. The results of operation disclose no satisfactory  
justification for the purchase of the stock of the Ontario  
Power Company by the Commission. The value of the stock  
also depends on the value to the Province, the Commission  
and the municipalities served of acquiring the right to  
the water diverted by the Company from the Niagara River  
for its purposes.

2. The purchase of the stock of the Ontario Power  
Company by the Commission has resulted in a large increase  
in the cost to the Commission of power received from this  
Company.

3. The purchase of the Ontario Power Company stock  
having been undertaken by the Commission for the purpose  
of obtaining the power and all facilities in operation  
should be paid to the Commission by the municipalities.

4. The sinking fund available to meet the needs  
of the Company assumed by the Commission, if continued on  
the present basis, will fall short of providing funds  
for the retirement of these debentures at maturity to the  
extent of \$7,000,000.



5. The contributions to the renewal fund of the Company have been inadequate. The reduction of this fund last December was not only unwise but in violation of sound business and engineering principles. If the revenue of the Company proves insufficient for its purposes any additional amount required should be made up by increasing the charges for power and not by drawing upon a reserve already too small. The amount taken from the renewal reserve last December should be restored and this depleted fund placed upon a sound footing.

6. The reserve for contingencies is largely unreal and wholly inadequate.

7. The cost of constructing the Third Pipe Line was almost double the estimate of the Commission. To make up the deficiency it used, without authority, \$1,700,000 which had been voted by the Legislature for other purposes and which the Commission held as Trustee. This sum was afterwards repaid by the Commission to the Province.

8. Although the liability of the Province in respect of the Ontario Power Company exceeded on October 31, 1922, \$25,000,000. the Province has no direct control

(88)

6. The corporation to the removal of the company have been made. The removal of this last December was not only unwise but in violation of sound business and engineering principles. If the removal of the company proves insufficient for its purpose any additional amount required should be made up by increasing the charges for power and not by drawing upon a reserve already too small. The amount taken from the removal reserve last December should be restored and this depleted fund placed upon a sound footing.

7. The reserve for contingencies is largely unutilized

and wholly unproductive.

8. The cost of constructing the third line was almost double the estimate of the Commission. To make up the deficiency it was, without authority, \$1,750,000 which had been voted by the Legislature for other purposes and which the Commission held as trust. This sum was afterwards repaid by the Commission to the Province.

9. Although the liability of the Province in respect of the Ontario Power Company exceeded on October 31, 1911, \$25,000,000, the Province has no direct control



of the affairs of the Company. Its interests might well be made more secure by amendment to the Power Commission Act.

9. The members of the Commission, although personally having no interest in the Ontario Power Company and but nominal duties to perform as Directors and officers of that Company, voted themselves salaries as such officers, amounting in the aggregate to \$10,000 per annum. Their action in so doing was improper and in violation of the spirit, if not the letter, of the Power Commission Act.

COPY

DATED AT TORONTO, AUGUST 2nd, 1923.

W. D. Gregory, Chairman

M. J. Haney

Lloyd Harris

J. A. Ross

R. A. Ross

(12)

of the affairs of the company. The interests might well be made more secure by amendment to the Power Commission Act.

7. The members of the Commission, although personally having no interest in the Ontario Power Company and not nominal holders of shares in the company, and officers of that company, voted themselves salaries as such officers, amounting in the aggregate to \$10,000 per annum. Their action in so doing was improper and in violation of the spirit, if not the letter, of the Power Commission Act.

COPY

DEPOSED AT TORONTO, AUGUST 2ND, 1894.

W. D. Gregory, Chairman

H. A. Ross

W. A. Harris

J. A. Ross

H. A. Ross



















